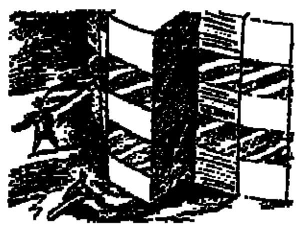
FINANCIAL TIMES

Start the week with...

Gold
Glory days are over
Page 17

Interview
The new man at Lloyd's
Page 5



Management
A slice of silicon action
Page 8

World Business Newspaper http://www.FT.com MONDAY JULY 7 1997

Violence follows Orange march in Northern Ireland

Up to 1,200 Orange Order members marched through a Roman Catholic area of Portadown, Northern Ireland, in relative peace, but in the face of nationalist protests over the massive early morning operation by police to secure the route. Residents along the disputed stretch of the Garvaghy Road were hemmed in by security forces supported by armoured vehicles, and showered them with stones and bottles as they withdrew. Police responded with several rounds of plastic bullets. Meanwhile, a policewoman was shot and injured in a gun attack in County Tyrone.Page 16; Editorial Comment, Page 15

Cambodian fighting leaves 12 dead: Bitter fighting between rival factions of the Cambodian government left more than 12 people dead and many injured and sparked fears of a slide towards civil war. Thousands of residents fled Phnom Penh, leaving shops closed and streets empty of cars and people. Page 4

German banks assail gains tax plan: German bankers and fund managers have attacked government plans to extend capital gains tax to securities dealings by investment funds, saying it could harm the country's standing as a financial centre. Gerhard Eberstadt, a Dresdner Bank director, said the proposed tax reform would make Germany look foolish abroad. Page 2

Eurotunnel, operator of the Channel tunnel rail link, said it would respond to shareholder criticism this week over remuneration of its executive directors. The issue will be raised at an extraordinary general meeting on Thursday as the company seeks to persuade its investors to support an £8.5bn ($14bn) restructuring plan negotiated with its creditor banks. Page 17

EU hopefuls challenge visa rules: Bulgaria and Romania stepped up pressure on the European Union to ease visa restrictions for their citizens, in a test case for equal treatment of the 10 applicants for EU membership. They are the only two countries on a list of 101 for which the EU requires visas. Page 2

TI, one of Britain's biggest engineering groups, is to unbundle its three operating divisions into seven distinct units in a drive to expand business. Each will have a chief executive or the equivalent. Page 17

Computer bomb 'running out of time': A shortage of skilled computer programmers means it may already be too late for British industry and the public sector to resolve the "millennium bomb" problem, warned Cap Gemini, Europe's biggest computer services company. Page 5

IMF warns Kenya to clean up: Kenya was warned by the International Monetary Fund to tackle a massive financial scandal or face suspension of their loan agreement. The action triggered cancellation of a meeting of Kenya's aid donors due to have taken place this month in Paris. Page 16

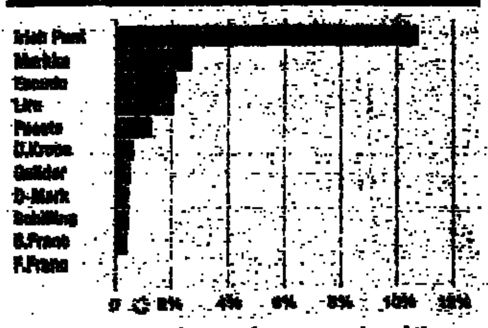
Court relights cigarette row: A court in Quito, Ecuador, reignited a trademark dispute between Philip Morris of the US and BAT Industries of the UK when it found that Bigott, BAT's Venezuelan subsidiary, had lost its right to ship Belmont cigarettes to Ecuador when Philip Morris began using the same brand name in 1994. Philip Morris had registered the trademark more than 30 years ago but only began using it when Bigott entered the market. Page 3

Swiss pension funds look overseas: Foreign firms are managing 10 per cent of the Swiss pension fund portfolios which use external advisers, according to a US report, posing a serious challenge to Swiss banks, which have traditionally excelled at investment and dominated the sector. Page 17

Sampras wins fourth Wimbledon title: Pete Sampras won his fourth singles title at Britain's Wimbledon tennis championships, beating unseeded Frenchman Cedric Pioline.

European Monetary System: The Irish punt last week rose further above its central rate against the French franc, the weakest currency in the European exchange rate mechanism grid. It ended the week 10.77 per cent above the central rate, pulled up by sterling's strength. There were no changes in the ranking of countries within the grid.

EMS: Grid



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

Waigel urged to rethink after DM16bn overshoot in federal borrowing is forecast

Pressure mounts on Bonn to delay Emu

By Peter Norman in Bonn

The Bonn government is under increasing pressure from political leaders of right and left to delay the start of Europe's economic and monetary union.

Mr Edmund Stoiber, prime minister of Bavaria and a member of the Christian Social Union led by Mr Theo Waigel, finance minister, called in a Financial Times interview for a "controlled delay" to the euro. This would involve a strict interpretation of the Maastricht treaty's Emu criteria rather than the euro's launch as a weak currency.

In a radio broadcast, Mr Gerhard Schröder, the Eurosceptic Social Democrat (SPD) prime minister of Lower Saxony, advocated Emu delay if budget cuts, needed to meet the criteria for joining, proved too painful to implement.

And Ms Ursula Engelen-Kefer, deputy leader of the German trade union federation and a prominent opposition SPD figure, warned in the Cologne newspaper Express that trade unions would cease backing Emu if it resulted in further welfare cuts.

The warnings came as Mr Waigel forecast a DM16bn ($9.3bn) overshoot in federal borrowing this year. He confirmed the government would publish a supplementary budget this week and ask parliament to override the constitution and approve a deficit of about DM70bn.

If parliament agrees the economy is "imbalanced" through the costs of high unemployment, Bonn will be able to borrow nearly DM16bn more than the approved DM53.3bn and about DM10bn more than the constitutional limit of DM59.9bn.

The finance minister insisted, however, that Germany would be able to hold its 1997 public deficit to 3.0 per cent of gross domestic product in line with the Maastricht treaty. Mr Waigel told a CSU meeting in Bavaria that higher federal borrowing would be offset by reduced deficits in Germany's local authorities and social insurance funds.

He made it clear he expects Germany's European Union partners to meet the 3.0 per cent criterion for Emu. "The Bundestag and Bundesrat [the two houses of parliament in Bonn] must give an evaluation next year as regards the stability of other countries," he said. "That means – leaving aside any exceptional factors – that we will not have 3.0 per cent for one, 3.5 per cent for another and 3.8 per cent for a yet another.

"A controlled delay [to Emu] would certainly be better than a weak European currency," he added. "Controlled delay would mean holding to the goal of the euro and holding firm to the criteria." In this way, Emu could perhaps start "on January 1 2000 or 2001" rather than with the planned start of 1999.

Mr Edmund Stoiber, prime minister of Bavaria, adds his voice to German calls to delay the single European currency Von Brauchitsch

Defender of a decimal point, Page 15

British Airways cabin crew to strike

Chaos expected as last-ditch talks collapse

Robert Taylor in London

Thousands of air passengers face 72 hours of chaos at Heathrow airport from 6am on Wednesday when British Airways cabin crew belonging to the TGWU union go on strike after talks to settle their dispute collapsed yesterday.

Mr Bill Morris, general secretary of the TGWU union, said BA wanted a strike and "was prepared to incite it" no matter what damage was done to the travelling public. But Mr Bob Ayling, BA chief executive, said: "The union only wanted to move discussions backwards, not forwards towards a successful conclusion. I regret while we were prepared to resolve this dispute through reasonable dialogue that position was not shared by the union."

The cabin crew are taking action because they say the airline is trying to impose a new pay structure without their agreement.

BA said it now had "no option" but to implement its contingency plans from Wednesday. These will involve using replacement staff to do cabin crew work on some flights. The company hoped almost half intercontinental flights from Heathrow – as well as a quarter of European services – would operate as normal over the three strike days. A third of intercontinental flights from Gatwick would be operating normally.

"We will do everything we can to help customers reach their destination," said Mr Ayling. This will include options to transfer to BA flights still operating, transferring to other airlines or fare refunds.

Details of flights will be available through travel agents and on the airline's internet web site.

The TGWU said last night it expected widespread support from trade unions and workers in civil aviation across the world. Mr George Ryde, the union's chief civil aviation negotiator, said the International Transport Workers Federation, a global trade union organisation, was making the cabin crew dispute "an international, strategic strike".

Mr Morris said yesterday, on the eve of his union's conference at Brighton, that the TGWU had made strenuous efforts to resolve the dispute but had "run out of time". The union had offered a 12-point plan to BA management which would have produced £42m savings over the next four years. However, "they took 10 minutes to reject our offer".

The dispute involves BA's 9,000 cabin crew staff who belong to BASSA, a branch of the union. They voted by a 2-1 majority in a secret ballot last month for industrial action after the collapse of negotiations on a restructuring deal.

A separate dispute involving BA ground staff is expected to be settled tomorrow with a ballot result expected to back a negotiated deal. The dispute involves the sale of the company's catering services.

Brunswick launches second Russian equity fund

By John Thornhill in Moscow

Brunswick Capital Management, one of the most active foreign portfolio investors in Russia, has launched another $125m (£75.7m) equity fund to take advantage of Moscow's booming stock market, which has surged by 143 per cent this year.

The launch of the fully subscribed, closed-end fund highlights growing investor interest in the Russian market, which was created only four years ago after a mass privatisation programme.

Last August, Brunswick Capital Management, part of the London-based Brunswick Group, launched an open-ended investment fund for Russia which attracted $120m.

The latest Brunswick fund is one of the biggest specialist equity funds to be targeted at Russia and will focus mainly on less liquid, second-tier stocks which still appear relatively undervalued.

Mr Mark Cooke, Brunswick's senior portfolio manager, said the new Russian Capital Appreciation Fund had attracted interest from institutions in the US and Europe. "The Russian market has gone beyond the realm of a small clique of hedge funds in New York," he said. "Russia has now become a mainstream emerging market."

Russian share prices rose strongly at the start of the year as emerging-markets funds reweighted their portfolios. But the market surged again in recent days as investors warmed to the government's renewed reform drive.

Last week, the Moscow Times index of 50 leading stocks rose 17 per cent with record trading volumes of more than $100m a day. The total Russian market is now valued at more than $100bn as prices have rocketed and the

Continued on Page 16

Mexico's drive against election fraud costs $300m

By Daniel Dombey in Mexico City

The cost of keeping fraud at bay in yesterday's mid-term elections in Mexico was 2.4bn pesos ($300m), equal to the cost of organising last year's presidential elections in the US, where there are three times as many voters.

State funding for political parties took the total Mexican election bill to 4.5bn pesos. It paid for an intense media war between Mexico's three main political parties, and more than 50 tonnes of banners and posters in Mexico City, which was electing a mayor for the first time this century.

Yesterday's election, the results of which are expected early this week, also included ballots for a lower house of Congress, one-quarter of the Senate and six state governors.

The anti-fraud effort was targeted at ballot-stuffing, tampering with electoral registers and fiddling with the final tally – traditional practices that have helped the Institutional Revolutionary party (PRI) become the longest-serving ruling party in the world.

As a way of stamping out fraud, voters brought "molecularly sealed" ID cards to polling booths, pressed their fingers into indelible ink and waited as officials compared their faces with photos in the electoral register.

Mexican officials hope that, as the principles of fair play take root, future democratic exercises will be less costly.

Even opposition leaders such as Mr Cuauhtémoc Cárdenas, the leftwing candidate for mayor, concede that Mexican elections are far cleaner today than nine years ago, when a "computer breakdown" probably cheated him of victory in the 1988 presidential race.

Media coverage – long a bone of contention with opposition parties – has been more balanced but still favoured the PRI in the provinces.

Another concern was the lack of balance in party political funding. As the largest party in Congress, the PRI received 900m pesos, the lion's share of the 2.1bn peso total.

The big increase in state funding – 10 times greater than in the 1994 presidential elections – was intended to wean the PRI off covert sources of finance.

City votes for future, Page 3

CONTENTS

News
International News ... 2-4
UK News ... 5
Guide to the Week ... 30
This Week ... 6
Weather ... 16
Law ... 16
Week Ahead ... 12

Features
Leader Page ... 15
Letters ... 14
Observer ... 15
Management ... 8
Business Education ... 9
Media ... 10,11
Business Travel ... 12
Arts ... 13

Arts Guide ... 13
Crossword ... 30

Companies
Companies & Finance ... 18,19

Markets
Markets This Wk ... 20-22
Int Equities ... 20
Emerging Markets ... 22
International Bonds ... 22

FT/S&P-A Wld Indices ... 20
Managed Funds ... 26-28
Currencies & Money ... 23
Share Information ... 24,25
Bourses ... 29

Survey
Mastering Finance ...Section III

9 770174 738111

Nato at odds on second wave of members

By David Buchan and Bruce Clark in London

NATO LOOKS EAST

The Nato summit opens tomorrow in Madrid with its 16 member countries members still at odds over how far to commit themselves to taking in a second wave of members beyond Poland, Hungary and the Czech republic which are due to join the alliance within two years.

The main business of the two-day meeting – Nato's first summit since early 1994 – is to decide on how far and how fast to bring in east European countries, though it will also discuss internal reform of the alliance and its role in overseeing peace in Bosnia.

Nato allies are all agreed to sign up Poland, the Czech Republic and Hungary in time for Nato's 50th anniversary in April 1999. But the US has used its weight within the alliance to insist that for the moment enlargement should be limited to these three. This has disappointed other Nato allies, notably France and Italy, who pushed for the inclusion of Romania and Slovenia in the first wave of new members.

The draft communique makes clear that Nato will keep an "open door" to other members from the east and that "the first [wave of entrants] will not be the last". But while the US, backed by the UK, wants to avoid over precise commitments at this stage, France has demanded a thorough discussion of the future enlargement timetable at tomorrow's meeting during which President Chirac is expected to push for Nato to put names or dates on a second enlargement.

Support for such precision is, ironically, expected to come from the leaders of Poland, the Czech Republic and Hungary who will attend the Madrid summit for a meeting of the new Euro-Atlantic Partnership Council, formalising relations between Nato and a number of central and east European states. Warsaw, Prague and Budapest want enlargement to continue so that they are not left on Nato's eastern edge.

US officials suspect some of their European allies of secretly hoping that the first wave of new members will also be the last.

While many west Europeans are conscious of the difficulty Nato will face in absorbing even three nations with entirely different military traditions, the US is focusing on the drawbacks of leaving candidates out in the cold for too long.

The UK has publicly backed the US insistence on limiting the first round of enlargement to three countries. German support for this has been more discreet though no less clear, and this has caused Bonn some problems with Paris which has championed the case of Romania.

"We believe the Romanians are being entirely mature and sensible about the decision to be taken at Madrid [to relegate Bucharest to a second wave of enlargement]," said a senior British official.

Editorial comment, Page 15

Bonn's capital gains plan attacked as 'own goal'

By Andrew Fisher in Frankfurt

German bankers and fund managers have attacked government plans to extend capital gains tax to securities dealings by investment funds, saying this could harm the country's standing as a financial centre.

Mr Gerhard Eberstadt, a Dresdner Bank director, called the proposal – part of the government's tax reform package – a "laughing matter" which would make Germany look foolish abroad and amount to an "own goal".

His criticism centres on the plan to levy capital gains tax not only on the proceeds of individual investors' disposals of mutual fund units but also on the internal securities transactions of the funds themselves. This would amount to double taxation, he said.

It would also work against attempts to strengthen equity culture in Germany at a time when immense strains on the state pay-as-you-go pension system point to the need for greater old-age provision by individuals.

Bankers and fund managers said they still hoped the proposal would be dropped. The tax package, mainly to take effect from 1999, has been passed by the first chamber of parliament, but was rejected on Friday by the second chamber in which the opposition has a majority.

It now goes to an arbitration committee. Under the capital gains proposals, profits from sales of securities and mutual funds will be subject to tax if these take place within a year of purchase. The current period is six months. Gains of more than DM1,000 ($560) per person will be liable to tax.

The government wants to reduce the maximum tax rate from 53 per cent to below 40 per cent, but bankers and fund officials say this will still put too high a burden on investors if the gains tax proposal is not modified.

Mr Eberstadt said this would force fund managers to change investment strategies, thus inhibiting Germany's development as a financial centre and reducing liquidity on German bourses.

Fund management officials said this could mean funds holding securities for longer than desirable to avoid the tax. It would also put purchasers of mutual funds in a worse position than those buying shares directly, who would be faced with capital gains tax only once.

RPR elects former National Assembly leader

Séguin promises to regain rightwing vote

By Andrew Jack in Paris

Mr Philippe Séguin, the new president of the Gaullist RPR party, yesterday pledged to make the movement more populist in order to recapture the disenchanted voters who supported the extreme rightwing National Front in last month's election.

Mr Séguin, former leader of the National Assembly, was elected president yesterday by nearly 79 per cent of the votes cast by 60,000 party members.

He replaces Mr Alain Juppé, who had led the RPR since the election of President Jacques Chirac in 1995, but who resolved not to stand again after the party's defeat in the election was in large measures linked to his leadership during two years as prime minister.

Mr Séguin – who was credited in large measure with defining President Chirac's successful campaign in 1995 – emerged as the natural leader of the centre-right movement after Mr Juppé resigned between the two rounds of voting in late May.

In a speech to some 5,000 activists after the vote at a meeting just outside Paris, Mr Séguin stressed the need to reaffirm the party's link to ordinary French people . He implicitly criticised the country's technocrats and elites, and stressed the importance of France remaining strong, free-spirited and defiant in the face of "all imported models" – a clear gesture of hostility to the free market.

Mr Séguin, who himself in the past opposed the single currency, said the RPR should neither ignore, demonise nor forge tactical alliances with the anti-European National Front, but rather appeal to the majority of those who supported the extreme-right party, whom he argued were "neither fascists nor opposed to democracy".

His victory was welcomed by Mr François Léotard, leader of the centre-right UDF coalition, who called on the RPR to clarify its views on his own group's priorities: decentralisation, a reduction in social security charges, the single European currency, a more politically-integrated Europe, and the central importance of business to job creation.

However, Mr François Hollande, acting first secretary of the Socialist party, said Mr Séguin's election reflected a shift towards the political right, towards "unbridled liberalism, the dismantling of the state social security system, a reduction in public spending and a desire to reduce the importance of the state".

President Chirac sent a message both praising the work achieved by Mr Juppé, and offering his support for Mr Séguin. The new leader faces the task of trying to unite a political movement which includes those who want a strong state, free market advocates and others with strong anti-immigrant feelings.

Alain Juppé (left), former PM and RPR president, applauds Philippe Séguin (right), who was elected new president by members at yesterday's party rally Reuter

Controversial internet proposals face US criticism over privacy

Call for multimedia accord

By Ralph Atkins in Bonn and Heather Bourbeau in Washington

Germany will this week risk a clash with the US government and international multimedia companies as it pushes for European agreement on principles for regulating global information networks.

At a two-day ministerial conference in Bonn starting today Germany hopes to secure backing for a "Bonn declaration" as part of efforts to set ground rules for the future expansion of the industry.

Mr Jürgen Rüttgers, the federal education and technology minister, sees German multimedia legislation – which was approved in the Bundesrat, the second chamber of Parliament, on Friday – as a possible model for Europe. He said the new multimedia law would make Germany a "pacemaker" worldwide.

Among its more controversial provisions, the legislation makes service providers responsible in certain circumstances for illegal content provided by third parties. It also requires providers to appoint "cyber sheriffs" with responsibilities for protecting minors.

Germany could face resistance if any declaration is modelled closely on this law, which has met a cool response from the industry, amid worries that its framework is too rigid. The German chambers of industry and commerce said the legislation reflects "thinking in pigeon-holes".

The differences between services supplied to individuals and mass media did not take into account technological developments or demand.

"Those who stand still and remain attached to old concepts will be left behind in international competition," the chambers warned.

Concern about the privacy provisions have been expressed by the American Chambers of Commerce in Germany. Mr Hermann Neus, chairman of the chambers' telecommunications and multimedia department, warned: "German customers and investors alike might emigrate by mouse-click to those spheres of the internet not hampered by excessive data protection bureaucracy."

The federal economics ministry has also seemed hesitant about some of the legislation's provisions, suggesting revisions may be possible. Mr Günter Rexrodt, economics minister, who opens the Bonn conference, has emphasised that the planned declaration should make clear that the freedom of information networks needs to be as wide as possible and regulation only used when absolutely necessary.

Mr Rexrodt is hoping the declaration will set guidelines on issues such as possible the taxation of electronic commerce, common standards on rating material that might be seen by children or offend sensibilities, as well as measures for combating the use of networks for illegal purposes. The global reach of information networks, he argues, means an operational framework cannot be confined to a single country.

The meeting will be attended by European Union representatives as well as the US, Canada and Japan. Last week Mr William Daley, US commerce secretary, voiced concern that European rules on privacy protection and other regulations would curb competition. The US "framework for global electronic commerce" emphasises the importance of a free flow of information.

But the German government points out that the US has yet to address regulatory problems under their proposed framework.

Ukraine's fledgling merchant class raises its voice

Protests occur almost weekly in the dismal eastern Ukrainian city of Luhansk, where coal miners, unpaid for months, spend more time demonstrating than they do labouring.

The people of Luhansk raucously took to the streets again last week, but it was a protest with a difference. Instead of black-faced coal miners, the shrieking protesters were smartly dressed and middle class, and rather than demanding money from the government they were insisting the state keep its hands off their own hard-earned kopeks.

The demonstration was part of a wave of protests across Ukraine last week in which small traders showed that while Ukraine may not yet be a nation of shopkeepers, its fledgling merchant class is emerging as an independent and vocal political force.

"This is no joke, all Ukraine has risen up," Vira, a defiant 42-year-old matron insisted in Luhansk. "I don't get anything from the government any more, and that's all right, but I don't want the government to touch me."

At issue were new tax rules, which came into force on July 1, that would require small traders to keep detailed written accounts or to register all their sales through cash registers.

The law is aimed at providing more revenue for Ukraine's treasury. But small merchants – many of them professionals who lost their jobs and who now hawk goods on street corners or in ramshackle bazaars – said they were barely getting by and were unwilling to shoulder the burden of what remains of Ukraine's dying state sector.

Reformers at all levels of government welcomed the wave of demonstrations as a sign that the weary Ukrainian people would no longer put up with the country's slow pace of change and were ready to defend their slight, hard-won economic freedoms.

"It is wonderful that the traders have emerged as a group and it is even better they are gathering to demonstrate," said Mr Oleksy Danilov, market-minded mayor of Luhansk. "Now we can say to the communist bastards – look, you are not the only ones who can call people on to the street."

The president's men in Kiev, who are trying to push through a painful package of reforms in the face of a hostile parliament, agree.

"This small-scale trade has huge significance in Ukraine right now. It is the only way that many people, who have lost their old jobs, are surviving," said Mr Yevhen Kushnarov, the president's chief of staff. "The sector is wild and unformed right now, but these are the people who will eventually form a middle class."

Ukraine's economic ministers think likewise and are discussing changes to the hated new system, including possible introduction of a trading licence for small merchants, which would simplify their tax obligations in a single payment. The measure is part of a deregulation package that government reformers hope to introduce over the next few months.

That would be welcome to the small traders of Luhansk, who, after 70 years of communism and six years of inept and incomplete market transformation, have learned that the best they can expect from their government is that it refrain from doing harm.

"Look, I started selling shoes and dresses at a bazaar after I was laid off by my factory in 1994," said Valentina, a carefully dressed 29-year-old. "It's hard, but I'm surviving. All I want from the government is to leave me alone."

Chrystia Freeland

Albania poll runoff set to confirm win for left

By Guy Dinmore in Tirana

Albanians voted yesterday in a second round of bitterly contested elections that are expected to lead to the formation of a government by the Socialist party and, if he keeps his public word, the resignation of President Sali Berisha.

Unofficial results from the first round of voting on June 29 showed the former Communists leading by about 53 per cent of the vote against 26 per cent for Mr Berisha's rightwing Democratic party. Run-offs were held yesterday in 32 constituencies where no candidate won over 50 per cent in the first round.

Mr Berisha, who came to power in 1992, publicly conceded after the first round that his party had been defeated, and said he would resign after the formation of a Socialist government. But behind the scenes, election monitors said, Mr Berisha was attempting to manipulate the result of the first round which should have been declared last Wednesday but has still not been made public.

Officials from the US, Italy, Germany and Denmark telephoned Mr Berisha to warn him to stop interfering. Denmark's foreign minister, Mr Niels Petersen, chairman of the Organisation of Security and Co-operation in Europe, urged Mr Berisha and all parties involved "to cease forthwith any attempt to put obstacles in the way of the electoral process".

The chairman of Albania's central election commission, Mr Kristaq Kume, disappeared for a day last week and later said his family had been threatened, western monitors said.

The Socialists, led by Mr Fatos Nano, a former Marxist economist now publicly wedded to economic reforms, said they were confident their centre-left coalition would emerge with over two-thirds of parliament's 155 seats, enough to write a constitution and force Mr Berisha from office.

Western monitors in Tirana said it appeared Mr Berisha was trying to ensure the Democrats had at least one third in parliament. "The vote counting process has descended into horse trading of seats between the Democrats and Socialists," one election observer said.

Observers from the OSCE, protected by troops of the Italian-led multinational force in Albania, planned to monitor 75 per cent of the polling stations yesterday. Western governments have made it clear that aid to rebuild Albania after four months of chaos depended on acceptable elections and a smooth transition of power.

Voting on June 29 passed without the widespread violence many had feared, allowing the OSCE to pronounce the first day of the elections – before all votes had been counted – as "adequate and acceptable".


An elderly Albanian woman casts her vote yesterday in a village north of the capital, Tirana Reuter

EUROPEAN NEWS DIGEST

Chechen hunt for aid workers

The Chechen authorities have set up a special investigation team to try to find two British aid workers taken hostage by gunmen in the Caucasian region last week. Ms Camilla Carr and Mr Jon James, two aid workers with the Centre for Peacemaking and Community Development, became the latest of more than 20 foreign hostages seized in Chechnya. Mr Aslan Maskhadov, Chechen president, has threatened hostage takers with the death penalty.

The two British aid workers had been helping child victims of the war in Chechnya. The authorities said they had not been aware of the charity's presence in their territory and had therefore not been able to provide protection. Several other aid organisations withdrew last December after six Red Cross workers were shot in their beds.

John Thornhill, Moscow

Slovenian takeover law soon

Slovenia is to enact strict legislation on company takeovers later this month, giving the government a powerful role in protecting large enterprises from hostile foreign bidders. The legislation has already been passed by the lower house of parliament and is expected to take effect this month after formal approval by the upper house.

Under the new law a full bid must be made when an investor seeks to acquire a voting stake of more than 25 per cent in any company whose shares are publicly traded, and in any company which was valued at more than 1bn tolars ($6.3m) for privatisation and which has more than 500 shareholders. In addition, the government will have full discretion to block or to approve all takeovers of privatised companies valued at more than 800m tolars. This will affect between 100 and 150 companies and is valid for five years after the law comes into force.

Jack Grimston, Ljubljana

Ukraine inflation rate plunges

Ukraine's inflation rate plunged to 5.3 per cent in the first half of this year, suggesting the government will come in well below its target rate of 24.7 per cent on the year, and a signal that stabilisation is firmly on course in the once hyper-inflationary economy.

According to Mr Yuri Yekhanurov, minister for the economy, the inflation rate in June was 0.1 per cent. In some sectors, a deflationary trend had appeared, in particular in food where a profusion of small garden plots and a shortage of money pushed prices down 0.2 per cent in June compared to last year.

Mr Yekhanurov said a new currency, the hryvnia, and stable prices had triggered "a real respect for money" among Ukrainians.

Chrystia Freeland, Kiev

Bulgaria and Romania seek same treatment as other membership candidates

EU faces renewed pressure over visas

By Sander Thoenes in Brussels

Bulgaria and Romania have stepped up pressure on the European Union to ease visa restrictions for their citizens, in a test case for equal treatment of the 10 applicants for EU membership.

Bulgaria and Romania are the only countries among the 10 candidates for EU membership which are on a list of 101 countries for which EU visas are required.

The European Court of Justice last month struck down the EU council of ministers' visa regulation, adopted in 1995, for failing properly to consult the European Parliament. The parliament has supported waiving visa restrictions for Romania and Bulgaria and may repeat its request when it gets a second look at the visa regulation this autumn.

Both countries last week asked the European Commission for equal treatment with neighbouring countries, including on such matters as immigration rules.

The US passed over Bulgaria and Romania last month when it chose Poland, Hungary and the Czech Republic as candidates for early admission to the Nato military alliance.

The Commission has signalled it may do the same when it releases its proposals for EU enlargement on July 16, in spite of pledges that all applicants would be treated equally.

Mr Georgi Gotev, first secretary at the Bulgarian mission in Brussels, said a relaxation of visa restrictions could be a compensation of sorts. "We're afraid of being forgotten," he said. "The time has come for the west to change its mind."

The 1995 visa list effectively cancelled some existing bilateral visa waivers between the two countries and certain EU member states. Only last month Greece toughened entry for Bulgarians and Romanians to abide by the Schengen accord on common borders.

"It was easier to get a visa in 1989," Mr Gotev said. "It's a bit of a paradox, and politically it's wrong. It breeds anti-European feelings among the population."

Bulgaria and Romania hope to get a more willing ear in Brussels now they have elected more reformist governments.

Both have tried to stem the flow of illegal transit migrants and hard drugs into the EU, the main reason for being placed on the visa list in 1995.

EU officials said these changes would go some way to boosting their chances, but added that ministers were hesitant to change the visa list for fear that other countries would demand visa waivers too.

A second unspoken concern, the official added, was with the Roma – or gypsies – who have moved from Romania to western Europe in large numbers and are sometimes associated with crime.

Both Bulgaria and Romania have yet to sign agreements to take back citizens caught working inside the EU illegally.

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NEWS: THE AMERICAS

Senate hearings on campaign finance set to open

US fund-raising probe loses lustre

When the US Senate's long-delayed hearings on campaign finance improprieties begin tomorrow, they will not be, as originally planned, in the room that once hosted the Watergate hearings.

Instead of the imposing Russell Caucus room, the hearings will be held in a more functional but less historic room that can safely accommodate modern television crews.

But it is not only the decor that is unlikely to emulate the electrifying testimony that eventually led to President Richard Nixon's resignation nearly 25 years ago.

Although Mr Fred Thompson, the Republican senator from Tennessee leading the hearings, is hoping his flagging investigation will be reinvigorated, the public seems to be showing an increasing lack of interest in the affair.

That boredom has been exacerbated by a recent loss of momentum to other investigations into alleged wrongdoing by the president.

Last week President Clinton's lawyers formally filed a motion in Arkansas that, for the first time, formally denied allegations by Ms Paula Jones that he sexually harassed her in 1991.

Also last week, Mr Kenneth Starr, the prosecutor into the Whitewater affair, lost credibility for pressing his investigators to question women they suspected of having had affairs with President Clinton – detracting from the probe into financial and legal aspects of the case.

Mr Dan Burton, the Republican congressman from Indiana who is heading a similar investigation by the House of Representatives, has come under attack for allegedly using heavy-handed fund-raising techniques in his own election campaigns.

Mark Suzman on an inquiry unlikely to rival Watergate

Both committees have also been plagued by sharp partisan disagreements, with Democrats complaining that there has been little attempt as yet to probe alleged Republican abuses.

However, with a December 31 deadline for its investigation, Senator Thompson's governmental affairs committee is determined to gather as much testimony as possible before the August summer break.

It is hoping to uncover evidence of both illegal fund-raising and, potentially much more serious, possible influence-peddling by China and other overseas interests who may have tried to supply campaign donations in exchange for political favours.

The committee has already named 30 potential witnesses, including Mr Harold Ickes, the former deputy White House chief of staff, and Mr Bruce Lindsey, one of the president's closest advisers.

Among others expected to be called to testify are several associates of Mr John Huang, a former commerce department official who is alleged to have helped transfer funds from large Asian companies to the Democrats.

Mr Huang himself, who is also a former employee of the Lippo group, an Indonesian conglomerate that is at the centre of the allegations, has refused to testify unless granted immunity.

To try to minimise the impact of potentially damaging information, the White House has been following a largely successful policy of selectively leaking some of the more incriminating documents, such as one suggesting President Bill Clinton may have personally telephoned donors to solicit funds.

The four-week long hearings might expect media coverage comparable to that of the Watergate hearings, especially as little serious legislation is being debated in Congress.

But, short of the emergence of a "smoking gun" that directly links administration policy to campaign donations, few analysts feel the hearings precipitate more than a case of acute presidential embarrassment.

Mexico City votes for its future

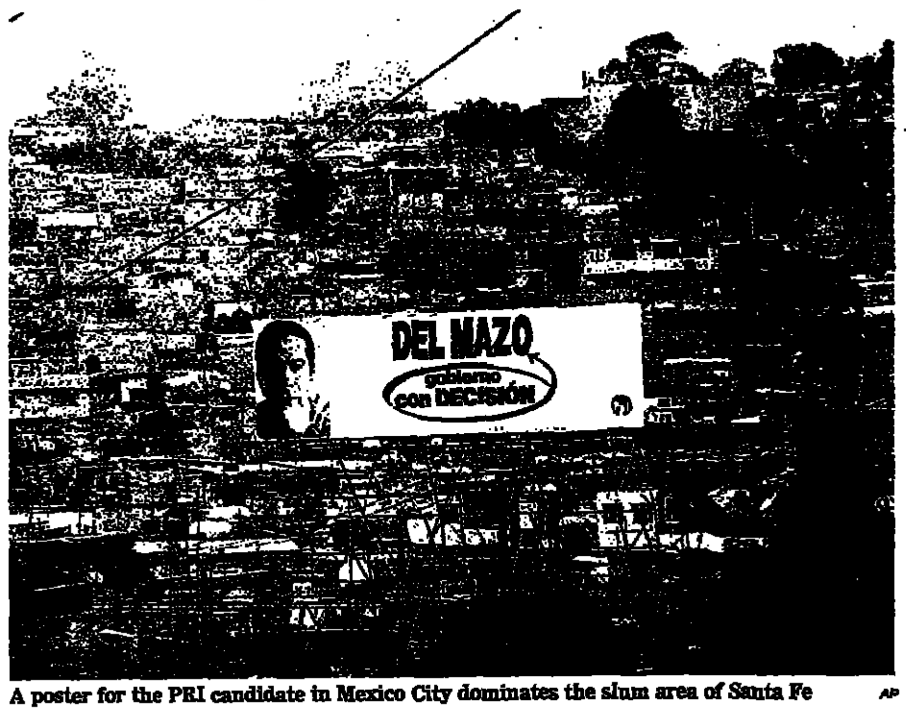
By Leslie Crawford in Mexico City

As Mexicans voted in mid-term elections yesterday, contenders for the next mayor of Mexico City were calculating whether the capital would turn out to be a platform for their presidential ambitions, or a poisoned chalice.

Mexico City and its towns have 20m people, one-third of the country's economic activity and the political power of a highly centralised state. The capital's first elected mayor will therefore be an extremely influential politician, with the authority to challenge President Ernesto Zedillo on national questions of social and economic policy.

But the elections have raised enormous expectations of a solution to the capital's many intractable problems. The new mayor, restricted to a three-year term, has little time to make a difference.

The valley of Mexico City is prone to earthquakes; water is scarce; and smog suffocates the volcano-ringed metropolis every day of the year. The mayor's powers, however, are limited. The budget for the capital, which totalled $4.6bn in 1997, is allocated by the Finance Ministry and approved by the National Congress. The city cannot raise its own debt. Police corruption has evolved from the extortion of petty bribes to the protection of big criminal gangs but the mayor cannot appoint or remove his police chief, who is a presidential appointee.



A poster for the PRI candidate in Mexico City dominates the slum area of Santa Fe AP

Mr Cuauhtémoc Cárdenas, who represents the leftwing Revolutionary Democratic party (PRD) and is tipped by opinion polls to win the mayoralty contest, estimates police are involved in three-quarters of all crime in the city. "We have to clean up and moralise the police force," he said recently.

Polls indicating a landslide win for Mr Cárdenas were questioned throughout the campaign by the ruling Institutional Revolutionary party (PRI), which claims 1.2m signed-up members in the capital. It believes Mr Alfredo del Mazo, its candidate, stands a strong chance of winning.

If Mr Cárdenas wins, he will have to wait until December before taking office. The long handover might act in his favour, as the PRD, founded by disaffected PRI members in 1986, has never won a political prize the size of Mexico City.

Mr Cárdenas would be expected to invite academics and professionals to strengthen his team because of the lack of PRD experience in government. His aides say the next five months would be used to negotiate the city budget with the Finance Ministry. Mr Cárdenas is also seeking consultations with President Zedillo over the naming of a new police chief.

For the city's 206,000 employees, who would be under an opposition mayor for the first time, Mr Cárdenas has promised a more professional civil service and a career structure "which does not depend on arbitrary decisions from superiors".

He has also promised to attack corruption. All public works contracts would be revised when he took office, Mr Cárdenas said. To the business community, which remains suspicious of his leftist credentials, he has promised to cut back red-tape and act as a "facilitator" for private-sector activity.

If his administration were successful, Mr Cárdenas has all but said he would stand for president in 2000.

Haiti becomes Caricom member

By Canute James in Montego Bay

Haiti has become a member of the Caribbean Community (Caricom), thereby doubling the population of the 24-year-old grouping.

Caricom leaders accepted Haiti's application during their annual summit in Montego Bay, Jamaica, and said its integration would assist the country's economic and political development.

Regional economists say that the community's target for achieving a common market in 2½ years, and its efforts to create a single currency, could be affected by Haiti's membership.

Haiti's 7m population has a per capita income of $210 and the country's economy has contracted 40 per cent in the past five years.

However, Mr Percival Patterson, Jamaica's prime minister and Caricom chairman, said: "Neither Haiti nor Caricom wants this [Caricom's] expansion to decelerate or in any way adversely affect the speed at which we are moving towards a common market."

The parlous state of Haiti's economy will be studied by a Caricom technical team to determine the rate at which it can be phased into the community's customs union and the move to a common market.

President Rene Preval of Haiti, who attended the summit as a guest, said membership of Caricom was a "great privilege and a big step for our country".

"We have always been assisted by our neighbours in Caricom, and membership of the community will help us economically, and help to strengthen democracy in Haiti."

Haiti is the second non-English speaking Caricom member, following the admission of Dutch speaking Suriname in 1995.

The other members are English-speaking islands, as well as Belize in Central America and Guyana in South America.

Caricom deferred a decision on a request from Cuba to negotiate a free trade treaty with the community.

The summit had been expected to decide on Cuba's request, but instead asked the Caribbean Export Development Agency to study the readiness of Cuban institutions that would implement the treaty.

A decision is to be taken in December.

Smoke of battle for cigarette name

By Raymond Colitt in Quito

A court ruling has reignited a long-standing dispute between Philip Morris of the US and BAT Industries, the British tobacco and insurance group, over a cigarette trademark in Ecuador.

The ruling could prohibit Bigott, BAT's Venezuelan subsidiary, from marketing its Belmont brand cigarettes in Ecuador and has prompted concerns over trade and intellectual property rights in the region.

The Quito tribunal apparently ruled that Bigott lost its right to export Belmont cigarettes to Ecuador when Philip Morris began using the same brand name in 1994. Philip Morris registered the Belmont trademark in Ecuador more than 30 years ago but only began using it months after Bigott entered the Ecuador market.

However, in an argument deemed contradictory by some legal experts, the tribunal also ruled that Ecuador violated Andean Pact regulations by prohibiting Bigott from continuing to market its Belmont brand in November of 1994.

The Venezuelan government will ask the tribunal to clarify the ruling and will use "any legal recourse to ensure Bigott's rights to export its products" to the country. "The decision adopted by the Andean Judicial Tribunal in the Belmont case is disconcerting for the future of investment by other companies in the region, and could affect the process of regional integration," the Venezuelan ministry of industry and commerce added.

"The Andean Pact clearly establishes that a licence not used for more than three years is void," said Mr Ricardo Antequera, a legal consultant to the ministry. He said the spirit of the regional accord was to avoid the use of trademarks as a means to prevent free competition and access to markets. Countless companies had registered trademarks in the region without using them, he said.

Philip Morris's Quito representative, Mr Armando Sobalvarro, was satisfied with the ruling. "The tribunal reflected the solid legal arguments of the Ecuadorian government," he said. Bigott said it would sue Philip Morris for damages incurred as a result of being barred from Ecuador's market.

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NEWS: ASIA-PACIFIC

China backing for power industry

By James Harding in Shanghai

Beijing has taken a further step to bolster its ailing power equipment industry, enabling Chinese power projects to use the country's vast foreign exchange reserves as a means of helping domestic manufacturers of machinery.

China's state-owned power-generating machinery groups have struggled to win orders in the face of foreign competition and the extra line of credit is likely to encourage Chinese infrastructure projects to source more equipment locally.

The central government has authorised four pilot power projects to use \$800m of China's foreign exchange reserves as credit to buy domestically made products; \$400m worth of orders for generators has already been placed with three of China's machinery manufacturers.

Officials are also considering using foreign reserves to provide financial support for other state-owned industries struggling to fend off international competition. Mr Wang Jianye, director-general of production at the Ministry of Machine-Building Industry, said in an official report yesterday: "Measures were urgent because major state machinery enterprises are losing market share to foreign companies and imports."

Use of foreign exchange reserves to support domestic companies appears to offer another source of credit to Beijing, which is under pressure to provide loans and subsidies to China's loss-making state enterprises despite inadequate fiscal revenues and an over-stretched national budget.

Yesterday's announcement did not give details of how the financing would be structured.

China had foreign exchange reserves of \$115bn at the end of April, the largest reserves in the world after Japan.

"The pilot power projects' experience is widely expected to help the government make decisions about other uses of the reserves," according to the official report.

Beijing calculates that half the state-sector capacity for building thermal power generators lies idle because Chinese power plants have ordered machinery from overseas. The report also listed the machine tool sector as having suffered as "more foreign business giants assault the market".

With the assistance of the reserves, "major state machinery plants will participate in major power projects as general contractors for the first time," according to Beijing officials.

Separately, the World Bank announced that it would lend China \$2.5bn-\$3bn annually for the next three fiscal years, to assist with infrastructure projects and poverty relief.

'Coup attempt' in Cambodian capital heightens fear of fresh civil war

Rivals clash in Phnom Penh

By William Barnes in Bangkok

A soldier mans a machine gun on a truck near Phnom Penh airport at the weekend Reuter

Bitter fighting at the weekend between rival factions of the Cambodian government yesterday left more than 12 people dead and many injured and sparked fears of a slide towards civil war.

The head of the former communist Cambodian People's party (CPP), Mr Hun Sen, said that his fighters were rooting out Khmer Rouge guerrillas who he claimed had been sneaked into Phnom Penh by Prince Norodom Ranariddh, his rival joint prime minister.

But the leader of the royalist Funcinpec party dismissed suggestions that he had been hiding Khmer Rouge soldiers and called the upsurge in fighting "a straightforward coup attempt".

Each of the joint prime ministers said he had ousted the other. The prince was reported to be abroad, but his whereabouts were not immediately clear.

Mr Roland Eng, a Funcinpec member and Cambodia's ambassador in Bangkok, said: "I am shocked. I should be ashamed at what's going on in Cambodia... Was this a coup? Everybody is denying it. But if you move troops around like that then... what else is it?"

The capital's airport was closed. Funcinpec radio and television were off the air and most phone lines into the city were down.

The Funcinpec party headquarters and the French embassy next door were badly damaged by shellfire.

Many residents fled to the countryside and or across the border to Thailand.

Cambodia's absent King Norodom Sihanouk, the father of Prince Ranariddh, issued an urgent appeal for a halt to the fighting and called on the rival prime ministers to meet him for talks in Beijing.

The Japanese government said yesterday it had been told that Mr Hun Sen was willing to negotiate with the royalist party, but diplomats thought it unlikely the former Khmer Rouge soldier, and later leader of a communist government installed by Vietnam, would be willing to go back to the status quo.

The street fighting was an escalation of bitter rows that have plagued the power-sharing government demanded by the CPP after Funcinpec won a United Nations sponsored general election in 1993.

The flaw in the UN scheme was that the CPP maintained control of much of the army, police and bureaucracy that it built up during its days as a largely isolated communist government. Mr Hun Sen has made it clear he does not intend to let the CPP lose power in next year's general election – if it is held at all.

He has been deeply irritated by Prince Ranariddh's moves to link up with the remnants of the Khmer Rouge.

The Khmer Rouge radio station yesterday broadcast a statement by Mr Khieu Samphan, its front man, who pledged support for the Cambodian constitution and said that the Khmer Rouge's reviled leader, Pol Pot, was politically finished.

Prince Ranariddh had demanded such a statement as the price for rapprochement with the Khmer Rouge.

Donor countries last week expressed concern about Cambodia's political stability as they pledged \$450m in aid for 1997-98. They donated \$500m for the 1996-97. A World Bank official said Cambodia must ensure "political issues" do not destabilise past gains.

Delhi eases industrial sector curbs

By Mark Nicholson in New Delhi

India's United Front government has nudged reforms forward by removing licensing requirements in five industrial sectors, approving the first batch of state asset sales and announcing plans to grant operating autonomy to the nine biggest state corporations.

The moves, taken in spite of the government's internal political problems, pruned to just nine the number of industrial sectors requiring government licensing for investment. The measures also mark a formal beginning of cautious reform and disinvestment of India's 240 public sector units.

However, the cabinet at the weekend again deferred a decision on whether to raise controlled prices for petroleum products, including petrol, diesel and kerosene. The UF's chief policy body is due to meet tomorrow to discuss the measure, which has been postponed for months despite the assertion of Mr I.K. Gujral, prime minister, that such price rises are "inevitable".

India's system of cross-subsidising and administered prices has led to an accumulated deficit in its "oil pool" account of Rs155bn (\$4.3bn), starving the state-run oil companies of operating funds. However, while the Finance Ministry has argued for double-digit price rises, the move is opposed both by components of the 16-party coalition and the Congress party, on whose political support the minority UF relies.

The cabinet did, however, agree to remove licensing restrictions on five industries: paper and newsprint, plywood and other wood-based products, asbestos, tans and skins, and animal fats and oils. The measures maintain a gradual process of delicensing begun with India's first reforms in 1991.

The UF also gave its first formal approval to recommendations by the Disinvestment Commission, which it established a year ago, by recommending minority sales in four state companies. It said the government expected to earn its budgetary target of Rs48bn from public offerings of stock in GAIL, the state gas company, MTNL, which operates telephone systems in Delhi and Bombay, Concor, a containers group, and IOC, the state oil refiner.

In addition, Mr Murasoli Maran, the industries minister, announced plans to grant functional autonomy to India's nine biggest public sector enterprises: Indian Oil Corporation, Hindustan Petroleum, Bharat Petroleum, Steel Authority of India, Bharat Heavy Electricals, Oil and Natural Gas Corporation, Indian Petrochemicals Corporation, National Thermal Power Corporation and Videsh Sanchar Nigam Limited, the international telephone utility.

The nine will now be free to raise resources from domestic and international markets with a minimum of government approval. They will be able to undertake autonomous restructuring, set up joint ventures in India and overseas without prior state assent and invest freely subject to certain caps.

Mr Maran said that policy was aimed at creating nine "global Indian giants" and that government nominees on the boards of each would progressively be reduced. He said further measures to grant autonomy to other Indian public sector units would follow.

India's Janata Dal party, core of the governing United Front coalition, formally split at the weekend after Mr Laloo Prasad Yadav, its embattled former president, declared himself leader of a new "national" grouping, the Rashtriya Janata party, writes Mark Nicholson.

The split brings to a head feuding between Mr Prasad Yadav, the Bihar chief minister, and other Janata Dal leaders, whom he has accused of being party to a "conspiracy" against him. He is facing criminal charges for alleged complicity in a multi-million dollar racket to misappropriate agricultural funds.

Mr Prasad Yadav created his "purified" new Janata Dal before 1,500 supporters at a hastily arranged Delhi convention. Its result yesterday confirmed Mr Sharad Yadav, a former Bihari ally of Mr Prasad Yadav, as the Janata Dal's new president. Mr Sharad Yadav won 691 of 758 votes cast, to Mr Prasad Yadav's 58.

The rift is not expected immediately to imperil the UF government. However, it is certain to render the coalition more fractious. Mr Prasad Yadav immediately offered his support to the coalition, claiming the backing of at least 18 of the Janata Dal's 45 MPs including at least three ministers.

Thailand under pressure to act after baht float

By William Barnes

Thailand's financial community is eagerly waiting to see if the government follows up last week's bold move to float the baht. Some fear that if the government fails to take steps to deal with the spreading bad debt crisis, renewed confidence will ebb away.

Mr Chavalit Yongchaiyud, the prime minister, will have an early opportunity to show his mettle when he meets his economic ministers today to explore ways of dealing with the cut in government revenues.

Mr Chaturon Chaisaeng, the deputy finance minister, admitted over the weekend that next year's budget might have to be cut because revenues were unlikely to be sufficient.

Opposition parties attacked the government during last month's debate over the austerity budget for mismanaging the country's worst economic crisis for more than a decade.

"Freeing the baht is the right measure taken at the wrong time by the wrong people," said the former banker and deputy prime minister Mr Supachai Panitchpakdi, a senior member of the opposition Democrat party.

"The government should never have allowed itself to be cornered like this. Freeing the baht does not get the government off the hook."

The government and the central bank have been widely criticised for their handling of the baht.

They have also drawn fire for failing to deal with the spreading bad debt crisis among domestic lenders and for clumsy attempts to revive a shattered property market.

Officials from the International Monetary Fund are due to arrive in Thailand shortly to offer technical advice about how to operate the managed floatation of the baht. Mr Graham Catterwell, head of equities at Deutsche Morgan Grenfell in Bangkok, said he hoped the IMF would tell the government: "Get your act together."

Some analysts think the Thai stock market has enough momentum to sustain a rally that has seen it rise 24 per cent after touching eight-year lows.

Stockbrokers said the market could climb to the 700 level soon. Investors are likely to be more selective than they were in last week's buying scramble.

From August 1, the limit on daily share price movements will be raised to 30 per cent from the present 10 per cent.

The baht has been steady after its initial post-float tumble and ended last week in the domestic market at Bt28.5 against the US dollar, down from nearly Bt26 before the link to a dollar-dominated basket of currencies was severed.

Currency experts, however, remained cautious, pointing out that many traders had so far stayed on the sidelines, indicating that the Bank of Thailand's ability to manage the baht has yet to be properly tested.

Jakarta hopes to ride out currency storm

By Manuela Saragosa in Jakarta

In an indication of the level of confidence in Indonesia's economic fundamentals, the Indonesian rupiah continued to trade at the low end of its band against the US dollar and the Jakarta stock market hit an all-time high the day after Thailand devalued the baht.

The rupiah's stability and the stock market's strength come despite superficial parallels between the Thai and Indonesian economies: both have seen a rapid build-up in private sector external debt, a widening current account deficit and increasing exposure by banks to the property sector.

But there is a conviction that Indonesia's situation is sustainable. "The risk is at an emotional level, but in a fundamental sense there is no justification whatsoever for any contagion" from Thailand, says Mr Desmond Supple, director of Asian currency research at Barclays Bank Global Foreign Exchange in Singapore.

What has soothed concerns in Indonesia is that the rupiah fluctuates against the US dollar within an 8 per cent band determined by the central bank, rather than being locked to the US currency, as was the case in Thailand. This transfers risk to the market and eases the burden of defending the currency should any shock occur.

"The wider buy-sell band of the rupiah is a market-based shock absorber that has served Indonesia well," the World Bank wrote in its latest report on the country.

"What's more, the current account deficit, which registered 3.5 per cent of GDP in fiscal 1996-97 and is set to remain close to 4 per cent over the next couple of years, is funded largely by foreign direct investment flows rather than short-term capital flows as was the case in Thailand," the report continued.

Mr Supple describes these long-term FDI inflows as "key" and providing continued support. There is also little to indicate that Indonesian companies have embarked on the kind of speculative and high-risk investment binge that was among the factors leading to the run on the Thai baht.

While there may be concerns about the fact that the ratio of property-related loans in Indonesia has grown from 11 per cent of total outstanding loans in 1991 to about 20 per cent there is more confidence in the consistent Bank Indonesia and finance ministry efforts to clean up the banking sector and strengthen the country's relatively weak financial sector.

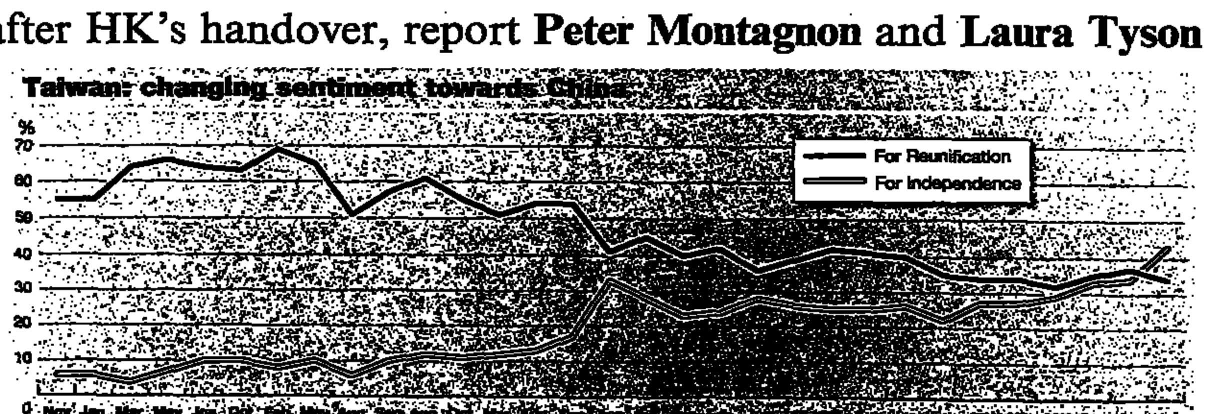
The signs are that Bank Indonesia is aware of the dangers of allowing cheap and easy US dollar financing of Indonesian investments, ensuring that Indonesian companies are nowhere near as exposed as their Thai counterparts. Bank Indonesia, stipulates, for example, that 80 per cent of all onshore US dollar funds have to be extended to export-orientated companies.

In the longer term, concerns will focus on the performance of Indonesia's non-oil export growth, which slowed from 15.2 per cent in 1994-95 to 6.6 per cent in 1995-96. Economists say record foreign investment figures of the past two years must translate into higher exports if Indonesia is to maintain market confidence that its current account deficit is sustainable.

Taiwan wary of Beijing's embrace

Taipei is edgy after HK's handover, report Peter Montagnon and Laura Tyson

Taiwan: changing sentiment towards China



The Taiwanese public has given a brusque thumbs-down to the idea of adopting the "one country, two systems" formula for unification with China. Given a straight choice, more Taiwanese would prefer independence to reunification, according to the first opinion poll after the Hong Kong handover.

Published by the conservative-leaning United News paper, the poll showed 43 per cent of respondents in favour of independence compared with 34 per cent for reunification. It is the first time the independence option has come out ahead.

The result underlines the dilemma facing the government of Mr Lee Teng-hui as it ponders its response to post-handover Chinese pressure. While public opinion and its own instincts favour a negative response to Beijing, its room for manoeuvre is substantially diminished.

In public, officials from President Lee down have been mounting an intense campaign to convince the world that "one country, two systems" cannot apply to Taiwan, however well it works in Hong Kong.

"One country remains the one-party dictatorship of the People's Republic of China and they would like to downgrade us as a local and provincial government," says Mr Chiang Chieng-yuh, head of the official Mainland Affairs Council. "For the government and people it's a non-starter."

But behind this bluster the tone is more conciliatory. Officials say they want a better relationship with Beijing that could reduce tension. There is hope political talks could resume once China's Communist party congress is over in autumn. Even so, the obstacles to a closer relationship remain formidable.

Analysts say the Hong Kong handover has weakened Taiwan's position. A successful transition in Hong Kong would increase pressure on Taiwan to accept a similar solution at a time when it is looking almost totally isolated now that South Africa is switching recognition from Taipei to Beijing.

Of more practical concern is the fact the mainland now effectively controls Taiwan's relationship with Hong Kong, through which much of its \$28bn in annual China trade and \$35bn in foreign investment still passes. Were China to insist Hong Kong cut its links with Taiwan, Mr Lee might have to negotiate directly with Beijing on unfavourable terms.

There was thus unmitigated relief at the warmth of last week's meeting between Mr Tung Chee-hua, Hong Kong's new leader, and Mr Koo Chen-fu, head of the unofficial Straits Exchange Foundation. This was the first contact between Taiwan and the new Hong Kong administration. Officials say they are happy that the relationship is now on a more formal footing, but they are sceptical of Mr Tung's ability to be a political intermediary between Taipei and Beijing.

"He has his work cut out to establish himself at home," says Mr David Lee, Taiwan's chief government spokesman. There is concern, too, at Beijing's announcement that deals between Hong Kong and Taiwan have to be sanctioned by the central government.

The prospects for direct political talks between Taiwan and China are also deeply uncertain. Both sides have imposed tough conditions for resuming these talks, which were broken off after President Lee's visit to the US in 1995. China wants Taiwan to commit itself formally to unification and drop its campaign – nowadays a lower-profile one – to join the United Nations. Taiwan wants China to renounce use of force and agree to negotiate on equal terms.

It is up to China to make concessions, says Mr Lin Chong-pin, vice-chairman of the Mainland Affairs Council, adding it is still a question of whether not when political talks resume. There are a number of items outstanding, including commercial issues such as protection of intellectual property, but a main focus would be to agree the so-called three links: shipping, air transport and telecommunications.

China wants these links to draw Taiwan ever closer into its fold. For the same reason, there is extreme caution on the Taiwanese side. It might be possible to step up shipping links but air transport is more difficult for security reasons, says Mr Lin. On a radar screen it is difficult to distinguish between a civilian aircraft and a fighter.

"The Taiwan situation is more complicated than Hong Kong," adds Mr Alexander Lu, political science professor at National Taiwan University. It is not just that Taiwan is a democracy with its own army. Unlike Hong Kong it is not a transient society. Taiwanese people cannot simply leave, he says.

Those who think that Taiwan could be made more comfortable by what happens in Hong Kong are mistaken, says Mr Chiao Jen-ho, secretary-general of the Straits Exchange Foundation. "Internal changes in China will make the difference to Taiwan, not the success of 'one country, two systems' in Hong Kong."

When United News added a third choice to its poll, that of maintaining the status quo, the result looked rather different. This option came out well ahead of the other two, with 43 per cent in favour compared with 24 per cent for independence and 19 per cent for reunification.

If that is the people's real choice, it is also what most seem to expect. "The status quo will continue for many years, and the military threat will remain," says Mr Shen Fu-hsiung, a legislator from the opposition DPP.

But the more isolated Taiwan becomes internationally, the more domestic support for independence will grow, he adds. Response to Chinese pressure would then become all the more hostile.

Taiwan is like a skunk, he says. "If you prod it, it gives off an awful smell."

Fids abolition may hit fund sales to Europe

By Jonathan Guthrie

The abolition of foreign income dividends (Fids), proposed in last Wednesday's Budget, will hinder a sales push into the European Union by UK fund managers, industry commentators have warned.

Investment managers had planned to use Fids to pay fund income to investors in mainland Europe who dislike traditional UK dividends. Mr Jeremy Soutter, a divisional director of Henderson Investors, a unit trust manager, said: "This government is making the regime for companies launching investment vehicles into Europe very difficult – it is a mess."

Many investment firms, Henderson included, aim to convert their unit trusts into open-ended investment companies (Oeics) over the next two years. This is partly because Oeics, a hybrid of a unit trust and an investment company, can be sold more easily to mainland Europe investors.

On Saturday Threadneedle Investments detailed a plan to convert £4.7bn in unit trusts into sub-funds of a single Oeic by November.

But though mainland Europe investors are comfortable with the single pricing structure of UK Oeics, they are not happy receiving ordinary UK dividends. These are paid with 20 per cent tax deducted. Although foreign investors can reclaim this, it creates extra administration and impedes cashflow.

The solution many fund managers were planning to adopt was to pay income to foreign investors using Fids. These can be used to deliver income on a gross basis, said Ms Lynne Ed, a tax partner at Coopers & Lybrand, the accountant. A UK-based Oeic paying income through a Fid "could produce twice the income of an equivalent offshore fund", she said.

"The Fid makes the UK-based vehicle very efficient," said Mr Philip Warland, director-general of the Association of Unit Trusts and Investment Funds, a trade body. "The abolition will mean offshore fund managers will be jumping for joy at the thought of the extra business."

Fids will not be scrapped until April 1999. But UK fund managers say they will find it difficult to sell Oeics paying Fids to investors in the rest of Europe.

Mr Warland said Autif would lobby strongly for the finance bill to be amended to allow Oeics to pay Fids after April 1999.

The abolition of Fids has added to the tax difficulties of UK fund managers. They have had a long-running battle with the Inland Revenue over unit trust transactions.

Fund managers say they should be able to avoid the stamp duty on the recycling of unit trusts, which occurs when a fund manager sells existing units to investors.

The Revenue says they must sell and repurchase underlying shares, paying stamp duty.

Brown's 'hidden cuts' attacked

By David Wighton, Political Correspondent

Mr Gordon Brown, the chancellor, was yesterday accused by the Liberal Democrats of hiding a £5bn ($8.25bn) real-terms cut in public spending in the Budget which would have a "devastating" effect on jobs and services.

The cut more than offsets the extra £2.2bn of spending on health and education that Mr Brown announced would be found from the government's contingency reserve.

The £5bn hole was confirmed by researchers from the House of Commons library after analysing the impact of the higher inflation forecast built into the Budget arithmetic.

The cut results from an expected increase in public sector inflation which will erode the real value of public spending.

The Liberal Democrats, who commissioned the research, said Mr Brown had made a "windfall gain" by scaling up tax revenue forecasts to reflect higher inflation without increasing the spending totals. As a result, real public spending would be £3bn lower this year and £5.3bn lower in 1998-99 than under the previous government's plans, which the City already viewed as unsustainably tight.

Mr Malcolm Bruce, the Liberal Democrat's Treasury spokesman, said the Budget was now "thoroughly discredited" and in a letter to Mr Brown called for an explanation of how the spending cuts would be implemented.

The Treasury said it could not comment until Mr Brown had received Mr Bruce's letter.

A Labour official dismissed the Liberal Democrats as "economically illiterate", but their claim was backed by the independent Institute for Fiscal Studies, which warned of the impact on spending departments.

Warning on 'millennium bomb' staffing

By Paul Taylor

A shortage of computer programmers means it may already be too late for Europe's industry and public sector to resolve the "millennium bomb" problem, a senior computer services industry leader has warned.

Mr Geoff Unwin, chief operating officer of Cap Gemini, Europe's largest computer services company, said he was increasingly concerned that industry and government leaders were failing to take the problem, in which computers will not be able to recognise dates after December 1 1999, seriously.

He said many business leaders did not realise the full implications of the problem, which is caused by the way dates are stored in many computer programmes and embedded systems. He also warned that while Britain lagged behind North America in getting to grips with it, most other European countries were even further behind.

Mr Unwin said that even if all available resources were directed towards the problem, they would be insufficient to resolve the issue by 2000. "The computer services industry just does not have the capacity," he said.

Already companies were reporting problems recruiting enough staff. "Wages are going to escalate and prices will rise. We cannot recruit enough people. The supply just isn't there," Mr Unwin said.

Mr Unwin believes private sector companies, particularly those in financial services, will end up "paying what it takes" to get the problem fixed. But smaller companies, those with less financial muscle and the public sector will be the losers. "The public sector is likely to be at the end of the queue," he said.

To deal with the capacity shortage, companies which were competitors would have to share resources, Mr Unwin argued.

He has proposed a campaign, to include legislation if necessary, designed to raise awareness. Proposals include:

- Encouraging all regulatory authorities to ask organisations for which they are responsible whether they have resolved the problem.
- Giving auditors responsibility for qualifying the accounts of companies that are not taking steps to safeguard their systems.
- Encouraging investors to question companies about the steps they are taking.

A champion of new technology

Lloyd's chairman-elect is a rarity in the commercial insurance market

Mr Max Taylor is almost the perfect diplomat. Tall and sleek in a pin-striped suit, he talks animatedly but is careful what he says, aware that thousands are sizing him up as the next chairman of Lloyd's.

Few would relish the prospect of running a society where the members always row, and decisions are often made after long and frustrating negotiation. But Mr Taylor comes to the world's oldest insurance market fully aware of the political battle lines that dissect it and with few illusions about the commercial risks it faces.

Mr Taylor, an insurance broker with Willis Corroon for 27 years, is a traditional Name, using personal funds to support underwriting at Lloyd's and trading like thousands of others with unlimited liability.

Those who campaigned for other candidates say he is a compromise choice, designed to reassure Names who might have baulked at a reformist figure such as Mr Jonathan Agnew, who as chairman of Limit, a Lloyd's investment trust, is seen by many as more closely linked to the new-style corporate capital which has flooded into Lloyd's over recent years.

However, Mr Taylor does not quite fit the orthodox mould. At 49, he is relatively young for a Name, and has a deep passion for rock 'n' roll.

His background as a broker is similar to that of Sir David, who moved to Lloyd's from Sedgwick, and gives him some advantages over newcomers. He has spent enough time with the insurance market's clients to see how Lloyd's reputation has been damaged by its recent traumas and the extent to which some customers see the protracted face-to-face dealings between underwriters and brokers as costly and unnecessary.

He says he has little time for the internal bickering at Lloyd's and instead warns that the insurance market must cut costs and exploit new technology if it is to prosper in the aftermath of the large losses which nearly destroyed it. "Any business has to be efficient so it can be competitive. Lloyd's has historically had a low cost base, but expenses have increased dramatically over time," he says.

Mr Taylor, who is heavily involved with efforts by the world's big brokers to develop an electronic trading network, is regarded as a champion of technology, rare in the commercial insurance market. He says Lloyd's should co-operate with the rest of London's insurance community in developing common accounting and settlement systems.

He acknowledges, however, that growth has slowed in too many of Lloyd's traditional markets for the society to prosper simply by cutting costs. It is too reliant on areas where premium growth is stagnant, such as the US, and needs desperately to diversify. "A lot of people are losing money and the balance is to get more income out of markets where growth is limited while at the same time up the presence in fast-growing areas."

Brendan Corr

Max Taylor: looking to raise Lloyd's presence in areas such as east Asia and South America

He cites Lloyd's entrance into Japan as typical of the kind of moves it should make and wants to raise its presence in east Asia and South America.

Only days have elapsed since he accepted the offer to become chairman and it is possible that somebody else may mount a challenge to his appointment. He steers clear of questions about in-fighting, not caring much for the wrangles over Lloyd's capital structure.

He supports moves to raise the solvency requirements for Names and believes corporate capital is essential. But he is unlikely to endorse calls in the market that Names should become shareholders instead.

"Without corporate capital, the market would not exist in any commercial sense today. At the same time, a market with diverse trading units seems to argue for diverse capital and there is no reason why we shouldn't keep mixed capital."

Christopher Adams

Green dots create a stink

DATELINE

Bonn: The world's most complicated domestic refuse system could end up buried under its own anomalies, writes **Ralph Atkins**

Bonn, the unassuming Rhineland home of Germany's federal government, may not have New York's zip, Paris's romance or Tokyo's energy. But it does have the world's most complicated domestic refuse system.

At sunrise, a rainbow of coloured bins stands like soldiers guarding diplomatic residences in the sleepy suburb of Bad Godesberg. Their colour varies according to a 24-page "rubbish calendar" supplied by Bonn's local council, their contents sorted carefully according to product type and recyclability.

A fleet of lorries executes different collection routes daily, the fast-moving dustmen who ride the plate providing a diversion at least as exciting as the trains racing through Bonn's railway crossings.

It seems at first sight a model of efficiency. In the snootier parts of the city, housewives rush out after a collection to sweep the pavement and scrub the bins. For the more down-to-earth, open days are held at waste disposal sites with bouncy castles and rides in dustcarts.

In fact the elaborate system has, like Germany's once-prized post-war economic model, begun to show signs of strain. The nation's refuse-retentiveness has created an over-regulated and expensive system that throws up ever more ridiculous anomalies.

Around Bonn, each house has four bins for different types of rubbish, each emptied once or twice a month. But the lifestyle of most households simply proves too complicated.

Come summer and some families are driven to deep-freeze leftover food rather than leave it to stink for two weeks in the green, bio-waste bin until the next collection. Young parents walk the quiet streets at night seeking homes for used nappies, their own black bins (non-recyclable waste) already overflowing.

In kitchens there are intense debates about whether it is better to follow the instructions on the yellow bin (lightweight, recyclable packaging), and wash a yoghurt pot before its disposal – or does the extra detergent and hot water outweigh the environmental benefits?

More seriously, the financial viability of the system has been called into question, and particularly the future of the Grüne Punkt, or Green Dot, scheme. This complex system, operating alongside local authorities' own arrangements, allows participating retailers and packaging manufacturers to off-load on to a nationwide organisation their legal responsibility to take back cartons, bags and other wrappings. Products that can be recycled this way – and placed in the yellow bin – are marked with a green dot.

The problem is that too many companies are "free-riding": refusing to pay the Grüne Punkt fees and paying only lip-service to recycling obligations. Even the most diligent Bonn resident is not prepared to separate bags from non-participating stores from legitimate Grüne Punkt items.

Duales System Deutschland, the non-profit making company which organises the recycling of Grüne Punkt products, reckons it loses DM155m (£54m) a year from packaging materials supplied to bakers and butchers shops alone. DSD is urging government action to close loopholes, fearing more companies will otherwise leave the scheme, driving charges still higher for those who remain.

But changes to Germany's 1991 "packaging ordinance" have been blocked in parliament by the opposition Social Democratic Party amid wider fears that the Grüne Punkt has become a uncontrollable monster. Marion Caspers-Merk, an SPD MP specialising in environmental affairs, argues that the system legitimises the use of unnecessary packaging.

"Protecting the environment does not play a role any more. Through the Grüne Punkt, 'here today, gone tomorrow' has clearly become the fashion and is no longer seen as a bad thing," she says.

Caspers-Mark proposes an independent scientific commission to pass judgment on the re-usability of products and to make recommendations on the environmental use of scarce resources.

The biggest irony is that the intellectual energy expended on rubbish recycling has not led to a reduction in household bills. The Bonn-based German alliance for nature and environment protection (Bund) calculates that refuse charges levied by local authorities on an average three person household rose by more than 12 per cent between 1996 and 1997 – 10 times the rate of inflation.

The reason, says Bund, is an ambitious expansion of refuse incineration sites planned and built in the 1980s – before recycling took off. Germans not only have to spend their leisure time sorting rubbish methodically; they must also pay the increased cost of under-used incinerators operated in accordance with stringent environmental-protection rules.

And for those who fail to follow the "rubbish calendar" and forget to put the right bin out on the right day, the frustration is even greater.

FT GUIDE TO:

ELECTRONIC COMMERCE

Electronic commerce was centre stage in Washington last week, when President Bill Clinton presented his administration's "Global Framework for Electronic Commerce" report. Why all the excitement?

Although electronic commerce, or "ecommerce" as it is often called, is more hope than reality, most analysts forecast huge growth in the value of goods and services sold through the internet. It could total tens of billions of dollars by the turn of the century, they say.

While it is impossible to predict with any certainty by how much and how quickly ecommerce will grow, there are many reasons to believe that consumers and businesses will eventually transact huge volumes of purchases and sales online.

Ecommerce is, most importantly, convenient for consumers. Without leaving your home you can order anything from a computer to a car over the internet. For businesses, ecommerce represents a direct link to consumers.

A small producer of any sort of consumer goods can potentially reach customers worldwide at low cost, simply by setting up an internet web site to advertise its wares. Publishers can attract new readers without the costs of printing and distribution. Computer manufacturers can bypass retailers to supply equipment direct to individuals and businesses.

I'm a purchasing manager. My company doesn't make consumer products. Why should I care about electronic commerce?

Ecommerce will streamline business-to-business transactions. No doubt your company deals regularly with several suppliers. The paperwork and staff time involved in making these purchases could be substantially reduced if you were to establish electronic purchasing procedures.

Until recently, this involved the use of expensive "electronic data interchange" systems. Widely used by large companies, these have been beyond the reach of small and medium size businesses. The internet makes it less expensive and easier for any business to take advantage of electronic purchasing and selling.

As a consumer, I'm not convinced that shopping by the internet is worth the effort. What does it offer that I can't get from local retailers?

If you enjoy a trip to the High Street or local shopping mall, the internet is not going to give you the satisfaction of dealing face-to-face with a car dealer, tailor or hardware store.

However, if finding the time to pick up groceries, select a new sofa or new software is a problem, the internet provides 24-hour a day access to businesses geared to meet your needs.

If you yearn for the style of Italian furniture, but live in Ipswich, it may be easier to find what you want on the internet, which brings any seller with an internet presence, anywhere in the world, to your computer screen.

What about the widely reported cases of internet hackers and software bugs?

Security problems on the internet get a great deal of attention. These should, however, be balanced against the risks of doing business in the "real world".

Many people worry about sending a credit card number over the internet. Yet we regularly hand over our credit cards to restaurant waiters and shop assistants without undue concern. We also provide card numbers to people when we make mail order or telephone purchases.

The chances of an individual credit card number being intercepted on the internet are remote. The greater risk lies in the misuse of a credit card number by a dishonest merchant on the internet, or a merchant's employees. There is also a risk that a merchant's computer system, containing records of transactions, could be hacked.

So, as in the real world, it is safer to deal with merchants you know – those you deal with regularly, or well-know retailers and manufacturers with a reputation to protect.

President Clinton is promoting a "hands off" policy toward the internet. What does this mean for consumers?

The Clinton administration has come to the conclusion that it would be a mistake to try to regulate business on the internet because new laws or regulations would be likely to inhibit the growth of ecommerce.

"Government attempts to regulate are likely to be outmoded by the time they are finally enacted, especially to the extent such regulations are technology-specific," the policy document stated.

However, this does not mean that existing "real world" laws such as those that cover contracts and liabilities will not apply. Rather, the administration is attempting to head off new regulations that might impose taxes or duties on ecommerce, restrictions on the type of information transmitted by the internet, government control over technology standards, licensing requirements and rate regulation of service providers.

The internet is global. Why is the US setting the rules for ecommerce?

The internet indeed reaches most countries in the world. Yet the US has far more internet users than any other country. It therefore has a great interest in shaping the "rules of the road" for the information highway.

The Clinton administration is responding to the demands of US industry in declaring its stance on ecommerce. However, numerous international agreements would have to be hammered out if there is ever to be a uniform approach to ecommerce. A delegation of government and business leaders is going to Europe later this month to outline the US vision for ecommerce.

Louise Kehoe

The Monday Profile: Richard Thoman

Xerox's heir apparent

Rick Thoman is a self-confessed Francophile. Every summer for the past 20 years, he has packed himself and his family off to the Mediterranean coast, to a house he owns between Nice and Monte Carlo.

It was a love that took root during a student vacation in Marseilles, then developed when he worked for management consultants McKinsey in Paris in the early 1970s. Of his French, he says now: "It was fluent at some point – and it's still pretty good."

Out of those beginnings has grown one of the most wide-ranging international careers in American business.

Thoman, 52, this month took on the job of heir apparent to Paul Allaire, chairman of Xerox, a company which generates more than half its $17bn (£10.3bn) revenues abroad. He has arrived there by way of running the international operations of both American Express and Nabisco, with a stint most recently as chief financial officer of International Business Machines.

"I was always interested in the international thing," Thoman says of his introduction to business. It was apparent in the early 1970s, he says, that global companies would come to dominate a number of industries.

"We Americans seemed to have the best hand to play, because we had the biggest companies." He adds, though: "A blind spot in our culture is that we expect everyone to adapt to the American way."

Former colleagues say Thoman himself has not fallen into this trap. Ken Chenault, now chief executive of American Express, says the Xerox president proved himself "very sensitive and cognisant of local customs" while running the company's non-US business.

(Thoman himself says the plastic card company always knew how to make money from travelling Americans, but hadn't worked out how to sell the brand to the rest of the world before he arrived.)

Thoman: "I see myself as more of a leader, someone who can size up a situation and act on it quickly."

Such skills have become increasingly important in US business. The Xerox brand may be well known internationally. But efforts to reach small businesses and even individual consumers, rather than just the big companies that have been its traditional customers, are about to take the company down sales channels it has never developed before.

"You have to understand *how* people want to buy things," Thoman says – and that could well mean striking a different balance between the global and local positioning of the Xerox brand.

The move to Xerox, meanwhile, has brought an end to a prominent and long-running association with Lou Gerstner, IBM's chairman. "He's been the biggest mentor in my professional career, no doubt about it," Thoman says.

The relationship was forged in McKinsey's New York office 25 years ago, where it was Gerstner who first hired Thoman from Tufts University after a PhD in international economics. The partnership continued at American Express in 1979, RJR Nabisco in 1992 and IBM in 1994.

The main lesson imparted by Gerstner: "To be maniacally focused on being operationally excellent, but to keep your eye on the future," says Thoman.

These are the qualities that eventually led Xerox to pass over insiders in its search for a successor to Allaire. "He is very open to ideas, and very strategic," says Chenault.

There is also a hard edge to Thoman, a directness that contrasts with the more diplomatic Allaire. That edge was very much to the fore during asignments like that at IBM's PC unit, where he was credited with a rapid revival of the struggling business in 1994 and 1995.

Thoman, however, does not like to be labelled a turnaround expert. "I see myself as more of a leader," he says, "someone who can size up a situation and act on it quickly."

Speed of action is certainly a virtue that Xerox has been trying to cultivate of late. Under Allaire, the company has a patchy track record on new products, and has at times unsettled Wall Street with earnings disappointments.

It was not surprising, therefore, to see a vote of confidence from the stock market on the arrival of an executive who displayed considerable skills in handling the Street while chief financial officer at IBM.

Speaking just before his arrival at Xerox, Thoman was unwilling to pass judgement on how well the company is doing.

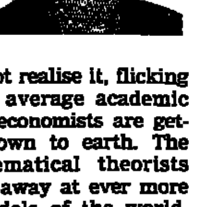
But, on the brink of introducing a whole range of digital copiers, it is "clearly in an industry where the speed of getting technology into your product, and getting the product into the market, is essential."

This, he says, is "a skill it will have to get much better at".

Xerox has already been through considerable change in the 1990s, with an attempt by Allaire to overhaul its inbred culture. But a hard-driving outsider like Thoman is bound to push the process further.

"I suspect a lot of good work has been done at Xerox, but I suspect a lot more needs to be done – it always does," he says.

Richard Waters



Stephanie Flanders • Economics Notebook

When theories don't add up

Culture and history can help explain what makes economies tick

You might not realise it, flicking through the average academic journal, but economists are getting more down to earth. The more mathematical theorists still scribble away at ever more abstruse models of the world. But a lot of mainstream macroeconomists have spent the 1990s getting a better grip on reality: the real forces driving economic behaviour, many of which have little to do with capital "e" Economics.

In part, this has come from their having so much more reality to cope with. Not so long ago, the young North American or European student wanting to get ahead in economics would have been advised to stay close to home. All the "action" was in the mature disputes of maturing economies: the causes of business cycles, say, or why monetary policy still affected output despite all the theories suggesting it shouldn't.

Development economics, on the other hand, was an academic backwater; home, with honourable exceptions, only to unreconstructed leftists and crackpots. Economic history was worse still. Indeed, purists didn't consider it a branch of economics at all (too few equations).

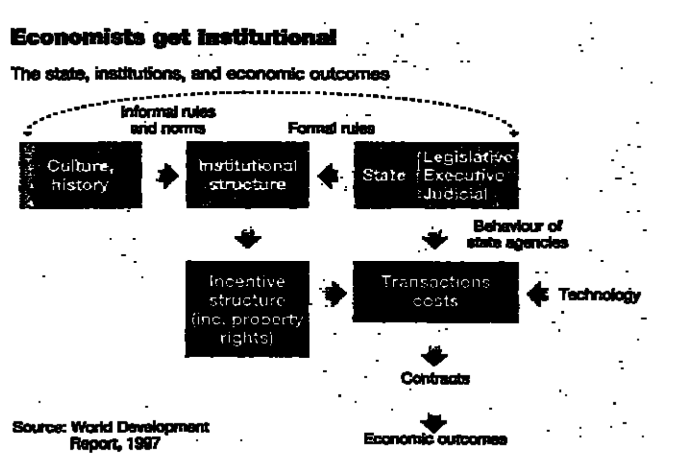
Today, all that has changed, because the world has changed. First, market reforms across the globe have simply expanded the part of the world which mainstream economists find interesting. At the same time, it has forced them to learn new tricks, often from their unfashionable colleagues down the hall.

This shift crystallised in the early years of market transition in Eastern Europe and the former Soviet Union. Overnight, development economics had become sexy; smack in the middle in one the biggest economic and political stories of our times. Young whizzkids from the London School of Economics or Harvard flocked East to advise the new governments on everything from exchange rate policy to constitutional reform.

Critics caricatured these advisers as "cookbook capitalists", trying to impose textbook models of a western-style market economy on starkly different terrain. Some of this criticism was unjust. The best advisers served their clients well precisely by teaching them fundamentals which *did* apply everywhere. Funding large budget deficits exclusively by printing money causes inflation. Keeping food prices at absurdly low levels discourages production. And so on.

Yet it was rapidly obvious to most of these academics that reviving growth was not just about picking the right economic policies. It also meant understanding the environment in which they would – or would not – be adopted. And that, in turn, meant getting to grips with small "e" economics: the rules, customs and history that make each economy tick.

The resurgence of economic history as a discipline, led by theorists such as Douglass North, winner of the 1993 Nobel prize, has helped fill some of these gaps. Or at least, it has helped economists feel they have something to say about these subjects. Whether it has helped countries do something about them is another matter.



Source: World Development Report, 1997

The above graph, taken from this year's World Development Report from the World Bank (which I helped to edit), is a case in point. In effect, it summarises North's book, *Institutions, Institutional Change and Economic Fundamentals* (1990), which showed how and why institutions and history both needed to be integrated more fully into economics. That the graph should have appeared at all shows how far his ideas have been accepted into the mainstream.

It is not, perhaps, the most exciting diagram ever to have appeared on these pages. But the ideas it expresses are fundamental. North's work reminded economists that making economies grow is about getting people to co-operate. Throughout history, societies have got richer by evolving institutions that provide a friendly environment for hitting on mutually beneficial exchanges – the same old gains of trade identified by Adam Smith in *Wealth of Nations*. Laws, regulations and other formal rules are part of this picture. But they are hardly the whole story. Consider Japan, which adopted wholesale large chunks of US fair labour standards legislation after the war, yet developed an utterly different labour market system around it.

The box marked "culture, history" is a nod to all these other, informal, norms which dictate whether good ideas will be taken up in some places but not in others. Many, these days, would call it "social capital". Whatever it is, economists are now much more aware of how these factors may interfere with the best laid structural reform plans.

And yet, their very realisation gives rise to a problem. For, if formal and informal institutions matter, and these tend to be the result of years of complex evolution, what hope does that offer to countries long saddled with the wrong ones?

The World Bank report did not, ultimately, have very many answers to this question. The main argument was factual. Some countries' institutions – and growth prospects – have changed dramatically. This happened twice in the case of Japan, once with the Meiji Restoration in the 19th century and again after the war. Many of the ex-communist countries seem to have achieved equally successful breaks with the past. In all these cases there was a so-called "window of reform opportunity": a moment when the heavens opened and the fates dealt a country a new set of cards.

And yet, more often than not, even these opportunities have been squandered, leaving economists again pointing to institutions, or an absence of social capital, to explain why the status quo won out. None of these would have seemed satisfactory answers to the economist of a few years back. But if economists now interpret the world in a variety of new ways, they are also, perhaps, a little humbler about their ability to change it.

This is Stephanie Flanders' last column. She is leaving the FT to join the staff of Lawrence Summers, the US Deputy Treasury Secretary

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 08.07.97: Pool purchase price £/MWh	Final Prices for Trading on 08.06.97: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	11.68	11.58	11.58	0.00
0100	9.50	11.55	11.55	0.00
0130	9.50	9.50	9.50	0.00
0200	9.50	9.50	9.50	0.00
0230	9.50	9.50	9.50	0.00
0300	9.50	9.50	9.50	0.00
0330	9.50	9.50	9.50	0.00
0400	9.50	9.50	9.50	0.00
0430	9.50	9.50	9.50	0.00
0500	9.50	9.50	9.50	0.00
0530	8.04	9.50	9.50	0.00
0600	8.02	9.50	9.50	0.00
0630	8.03	11.55	11.55	0.00
0700	8.04	11.56	11.56	0.00
0730	8.04	11.56	11.56	0.00
0800	9.50	11.57	11.57	0.00
0830	10.00	11.77	11.94	1.30
0900	13.56	11.84	12.01	1.30
0930	14.03	16.26	16.43	1.30
1000	18.11	15.79	15.96	1.30
1030	15.45	19.36	19.53	1.30
1100	18.11	19.79	19.96	1.30
1130	18.11	25.42	25.60	1.30
1200	18.11	25.42	25.60	1.30
1230	18.11	25.42	25.60	1.30
1300	18.11	25.42	25.60	1.30
1330	18.11	19.36	19.53	1.30
1400	18.11	19.79	19.96	1.30
1430	18.11	16.26	16.43	1.30
1500	10.03	16.26	16.43	1.30
1530	10.01	15.79	15.96	1.30
1600	10.00	14.28	14.45	1.30
1630	10.00	14.28	14.45	1.30
1700	10.00	15.79	15.96	1.30
1730	10.00	15.79	15.96	1.30
1800	10.00	16.64	16.81	1.30
1830	10.00	16.64	16.81	1.30
1900	9.50	14.28	14.45	1.30
1930	10.00	14.28	14.45	1.30
2000	10.00	16.26	16.43	1.30
2030	10.00	14.28	14.45	1.30
2100	10.08	16.26	16.43	1.30
2130	17.84	14.00	14.17	1.30
2200	19.38	39.87	40.04	1.30
2230	20.21	39.87	40.04	1.30
2300	20.21	39.87	40.04	1.30
2330	19.39	16.26	16.43	1.30
2400	13.85	11.77	11.94	1.30

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited.

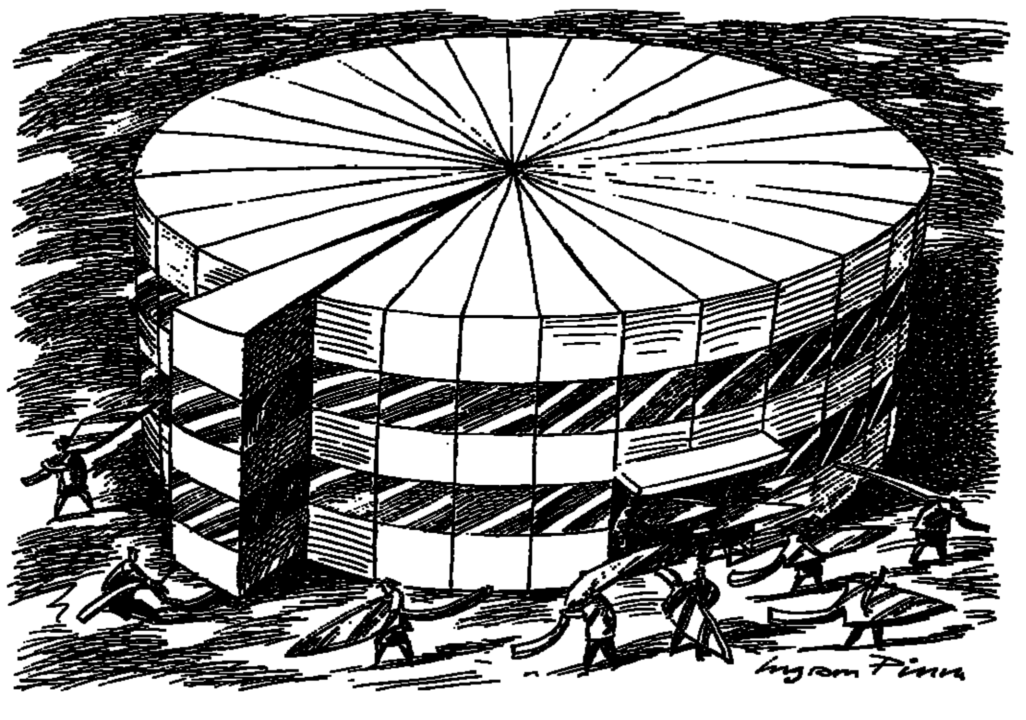
Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 07.07.97: Pool purchase price £/MWh	Final Prices for Trading on 06.06.97: Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	10.01	11.57	11.57	0.00
0100	9.50	11.56	11.56	0.00
0130	9.50	11.84	12.05	0.93
0200	9.50	11.84	12.05	0.93
0230	9.50	11.84	12.05	0.93
0300	9.50	11.84	12.05	0.93
0330	9.50	11.57	11.57	0.00
0400	9.50	11.56	11.56	0.00
0430	9.50	11.56	11.56	0.00
0500	9.50	11.56	11.56	0.00
0530	9.50	9.50	9.50	0.00
0600	8.05	9.01	9.01	0.00
0630	8.02	11.58	11.58	0.00
0700	10.30	11.60	11.60	0.00
0730	12.66	19.48	19.69	0.93
0800	16.78	19.49	19.70	0.93
0830	17.20	20.76	20.96	0.93
0900	18.20	22.00	22.23	0.93
0930	20.01	33.46	33.70	0.93
1000	20.09	33.49	33.75	0.93
1030	20.18	27.52	27.78	0.93
1100	20.22	21.02	21.30	0.93
1130	26.76	23.26	23.55	0.93
1200	33.86	54.15	54.46	0.93
1230	33.64	54.11	54.40	0.93
1300	26.71	21.02	21.30	0.93
1330	20.12	20.85	21.09	0.93
1400	33.13	33.43	33.67	0.93
1430	33.08	33.42	33.65	0.93
1500	19.96	27.42	27.65	0.93
1530	19.86	19.68	19.91	0.93
1600	20.00	19.72	19.96	0.93
1630	29.73	20.53	20.79	0.93
1700	20.15	23.68	23.94	0.93
1730	26.72	25.00	25.25	0.93
1800	29.59	24.93	25.16	0.93
1830	16.79	23.53	23.74	0.93
1900	17.33	19.48	19.69	0.93
1930	15.60	19.48	19.69	0.93
2000	12.66	17.19	17.40	0.93
2030	12.55	14.53	14.73	0.93
2100	12.65	14.53	14.73	0.93
2130	19.50	14.53	14.73	0.93
2200	19.50	23.24	23.44	0.93
2230	19.50	23.24	23.44	0.93
2300	19.50	23.24	23.44	0.93
2330	12.55	14.53	14.73	0.93
2400	12.55	11.61	11.82	0.93

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. The Transmission Services Use of System Price (TSP) is charged by the National Grid Company plc (NGC) for the operation and development of its electricity transmission system for the purpose of optimising the costs arising from the operation of that system. Charges are calculated by NGC and are based on payments made by NGC into the pool. TSP is also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool and on TSP on behalf of NGC by Energy Settlements and Information Services Limited.

A rich slice of Silicon pie

Charles Leadbeater on how equity pay is driving California's high-tech companies



Helen Hauge has a headache. She runs the equity compensation department at Adobe, the personal computer software company which is based in San Jose, the heart of Silicon Valley. The job is complex: Adobe, in common with many Silicon Valley companies, runs a raft of profit-sharing and employee share-ownership schemes. But that is not the headache. The problem is that established companies such as Adobe are finding it increasingly difficult to compete with small creative start-ups which are luring away the brightest staff with offers of share options that could turn them into millionaires.

Hauge explaines: "We are a large, publicly quoted company. We can offer attractive stock options and we pay well, but not enough to make people really rich. These smaller companies have nothing to offer staff other than stock options. They offer employees tens of thousands of stock options which could make them very rich indeed in a few years' time."

This is just one example of how equity pay is driving Silicon Valley's creativity: luring the brightest talent to the biggest opportunities.

Silicon Valley, the narrow peninsula south of San Francisco, is home to about 6,000 high-tech companies, with annual sales last year of about $200bn (£119bn). The valley has been home to some of America's most dynamic high-tech computer companies, among them Sun Microsystems, Intel, Netscape, Oracle and Hewlett Packard.

A fifth of the public companies based in Silicon Valley are "gazelles" – small businesses whose revenues have grown by 20 per cent a year in the past four years. Employee ownership has played a central role in the rise of Silicon Valley in several distinct but linked ways.

Silicon Valley companies often pay all their staff – not just the top executives or highly skilled technicians – share options. Equity pay is the financial currency of the area's extraordinary creativity. The traditional pay packet – a wage in exchange for a fixed amount of effort – is long dead in Silicon Valley.

Adobe, the world's third largest personal computer software company, with revenues of $762m last year, is an example. Even the humblest person at Adobe, which was founded by two scientists in 1982 and has about 2,400 employees, are advised to get an accountant.

Within a few years of joining the company a large chunk of their pay will be in the shape of shares, profit-sharing bonuses and share options. All staff who join Adobe in the US get stock options which they can exercise three years later. In a typical year, half the staff receive selective share options, which depend on their performance and competitive pressures in the labour market.

The company also offers to sell shares to any employee at a heavily discounted price. An employee can buy shares at 85 per cent of the share price at any point in the two years after entering the Adobe stock purchase programme, regardless of how much the price has risen.

Real stock can be granted, at a senior manager's discretion, to key staff to help to recruit or retain them.

Recently Adobe introduced team-based rewards to recognise collaborative product development. At the start of a project, the team manager is given a pool of cash and stock to award team members as they reach milestones in the project. Adobe also operates a corporate profit-sharing scheme, which pays a bonus of up to 10 per cent of base salary. If the company's performance is more than 15 per cent ahead of budget at the end of the year, additional sums are paid into an employee's "401K" retirement plan. In the past three years Adobe has contributed about $3.5m to these 401K plans, which are one of the fastest-growing forms of employee ownership in the US.

Adobe issued shares worth $156m under these employee stock programmes between 1993 and 1995. In that time 7.8m options were granted to employees, and 7.4m were exercised. As

Silicon Valley's vitality is fed by a network of companies which collaborate and compete

an example of what these schemes can mean to an average employee, take the notional example of a 28-year-old software developer who joined the company last year on a wage of $70,000. By her third year with the company she would be paid a wage of $85,000 and have exerciseable share options and bonuses worth more than $45,000. A third of her compensation would be in the form of equity pay.

One of Silicon Valley's strengths is that it does not depend upon large companies such as Adobe. On the contrary, its vitality is fed by a network of small and large companies, which collaborate and compete. Staff are constantly moving between companies. These networks help companies to share information, generate new ideas and pool risks. Employee ownership has helped to create and sustain this corporate network.

A generation of owner-founders who set up companies in the 1960s when the Silicon Valley computer industry was starting are now retiring. Many are selling their companies to an Employee Stock Ownership Plan, which allows a company to use its profits to acquire its shares on behalf of an employee benefit trust. This trust usually distributes the shares to employees.

This is not workers' democracy. Employees rarely have much say in this transaction. Usually, the founder of a business decides to sell the company to such a plan to take advantage of tax concessions. Yet this transformation of a generation of entrepreneurial start-ups into employee-owned companies has helped provide Silicon Valley's smaller companies with a measure of stability during the succession away from the founding generation.

Just one example of how this process can work is HSQ, a manufacturer of bespoke electronic environmental controls. Henry Hoge created the company more than two decades ago with an investment of $200,000. Now it has sales of about $20m a year and is worth about $5m. If Hoge sold HSQ to another company he would have to pay a capital gains tax bill of about $2m. By selling to an employee plan he has accepted a lower price but avoided the tax.

That is not the only reason why he and other retiring Silicon Valley entrepreneurs are selling out to their employees. Says Hoge: "This is a creativity business, it thrives on people's ideas. An Esop was the best way to keep them together. This is not just a company, it's a professional community of interests. If I sold the business to a competitor there would be great turmoil and disruption."

Large Silicon Valley companies are increasingly playing a role in promoting entrepreneurial, employee ownership. Worried about losing some of their brightest staff, companies such as Adobe are investing in entrepreneurial employee-owned start-ups as a source of future ideas. Adobe has pumped $60m into 23 small companies "to gain key insights into emerging technologies".

Overall, Silicon Valley, as one of the most successful economic regions in the world, has much to teach other sectors and economies about using bright staff and bright ideas. One of the central lessons is that equity pay and employee ownership will be vital to the knowledge creating businesses of the future.

Charles Leadbeater's report, A Piece of the Action: Employee Ownership, Equity Pay and The Rise of the Knowledge Economy, is published tomorrow by Demos, 9 Bridewell Place, London EC4V 6AP, price £14.95.

A stake in a growing business

McKay Nurseries is one of the most remarkable employee-owned businesses in the US and proof that equity-based compensation schemes can work well outside high-tech sectors.

Based in Waterloo, Wisconsin, more than half the workforce of about 100 are seasonal migrant Mexican labourers from Texas. Most are employed in the horticultural business for only three months a year. About 90 per cent of the workforce are members of the Employee Stock Ownership Plan that owns the company. Many have worked with McKay for 15 years.

The company, which is entirely owned by the plan, contributes between 20 per cent and 25 per cent of the salary bill to the plan each year, which was set up in 1984 to avoid the company being sold. The plan was financed in part from funds built up in a profit-sharing account as well as bank borrowing.

Griff Mason, McKay's president, says employee ownership has been the best way to build a lasting relationship with a very fluid workforce. All seasonal employees qualify to join as long as they have worked more than 1,000 hours – there are about 62 seasonal employee owners. The company also works with about 60 partners as independent sales distributors – their membership of a profit-sharing plan helps to build their relationship with the company.

A professional translator is hired to explain financial details to the Mexican workers. If a committee meets it has to publish its minutes which are put in every payroll envelope. The pay structure is entirely merit-based. Pay rises depend on the recommendation of team leaders, and first-time home buyers can use their plan account as collateral for a mortgage.

CL

Hawkes (left) and Abram: 'We both wish we'd created a corporate image'

PARTNERS

Abram, Hawkes

Paul Hawkes, 46 and John Abram, 45, founded their marketing consultancy company, Abram, Hawkes, in 1987. Their clients include Abbey National, Lloyds Bank, Legal & General and First Direct. Annual turnover is £2m.

Paul: "The idea came from talking in the pub one night. We'd both worked for large organisations, both used advertising agencies and consultants and both arrived at the same conclusion: that ad agencies sold ad solutions and consultants never got to the heart of the problem.

There was a real opportunity for a pure marketing consultancy which would provide practical advice. We knew it would make profit from the start because we were selling our expertise – it wasn't like going into the retail business where you need capital to buy stock, then sit and hope someone wants to buy it.

For the first 18 months we grew rapidly, but once we'd used up our store of close contacts things got a bit shaky. Our third financial year coincided with us not only having a shortfall in new business, but moving to larger offices with significantly larger overheads. Neither of us panicked, we just thought things through.

We're both pretty logical, except I reach a conclusion much quicker than John. He's incredibly methodical, often writing things in longhand to get things ordered in his mind. Also, he's rather suspicious of technological gimmicks. Whereas I use the electronic diary on my computer, he prefers the old manual ones. One famous night, before dial-up modems, John put someone's phone back on the hook and cut them off from an important online database.

If you have a conversation with him, he's likely to take notes in his Filofax, then three days later, he'll come back and tell you exactly what you said. It's a tremendous discipline. It also keeps everyone on their toes."

John: "I was doing well in my previous job with American Express, except I knew I was only safe as long as the international vice-president liked me. If he'd moved, I could have ended up with a big cheque at 45, not knowing what to do. Also, I would have kicked myself if I hadn't tried running my own company.

We gave ourselves a year to write the business plan and worked on the principle that if we were still talking the company had a chance of working. The hardest part was thinking up a name that didn't sound like a hairdressing salon or a sandwich bar. Anything with 'marketing' in the title would have been too restrictive.

As we've grown, we've employed people who are more capable than both of us, yet some clients still ascribe greater authority to Paul and I because of the company name. In hindsight, we both wish we'd created a corporate image but it's too late to change.

One of the things we wanted from the beginning was a blue-chip client list. Larger companies not only pay the bills on time, they help when it comes to recruitment. If you're working for a local butcher, it's very hard to have a credible proposition for a company like Norwich Union.

One of our earliest accounts was a consortium of banks to market the Switch card. We learned that large clients beget large clients, so we've stuck to that policy ever since."

Fiona Lafferty

How to win the hearts and soles of your workers

Lucy Kellaway

I wish I could work for Nike! Not at the funky campus HQ in Beaverton, Oregon. I want to work trimming the soles of sport shoes in a Vietnamese factory. This might sound eccentric given the nasty stories that were circulating earlier this year about how the company paid its workers 12p an hour to make the shoes that sell back home for over £100. There were also tales of ugly sweatshop conditions, sexual harassment, and of pathetic women being forced to run laps around the factory as punishment for not working hard enough.

Yet I now discover the truth is otherwise. I have been reading a report that the company commissioned from Andrew Young, the former US ambassador to the UN. He has concluded that for the most part, the Asian Nike factories are fine places to work: light, clean and well-ventilated.

Cynics might point out that as Nike was paying Mr Young, it is not surprising if his report reads like a company press release. But that wouldn't cut much ice with Mr Young. Indeed, he devotes a good deal of the 75-page report to upholding his own reputation, telling us how independent he is, and how the views are his own, based on a long trip around Asia during which he saw and talked to whoever he liked. And if that was not enough, his company is called GoodWorks, so it must be good, mustn't it?

A further half of the report is devoted to pictures. It is these that make me wish I worked in one of their shoe factories. The snaps were taken by Mr Young and by his wife, Carolyn, who came along for the ride. Mr Young tells us on page one of his report that he and Carolyn have not been married long; on page seven he confides that she is a fifth-grade teacher. I like these details, they're so personal.

The photos show groups of happy, smiling workers. The young girls who toil at the Indonesian factory look as if they have just won the lottery as they stand outside their Nike dorms posing for Mr Young. They must adore the company! Even the workers forced to run around the Vietnamese factory look quite cheerful. Strapping chaps are shown strumming the guitar and laughing during a factory break. People are even grinning as they walk to work.

I defy you to walk around the City of London and find people smiling as they head for the office. We know that the camera cannot lie, so you have to conclude that there is something about making Nike shoes that makes people very happy indeed.

The only thing that makes me hesitate before packing my bags for Vietnam (or Indonesia or China or any of the other places where happy people make trainers) is the pay. Nike had specifically told Mr Young not to mention anything so squalid as money, and, being an obliging sort, he agreed. He argued that it Nike cannot single-handedly solve the problem of low wages in the developing world.

But his silence on the subject of dollars has a happy side-effect. In the interests of symmetry it means that he can be excused for not letting on how many megabucks he was paid by Nike to take his wife on this unusual junket.

Imagine. You are going to get married in three hours' time. A business deal you were about to close suddenly comes unstuck. What do you do? If you are Ralph R. Roberts, you invite the parties to your wedding and do the deal between the champagne and the speeches. And then you write a book about the experience and all the other experiences that have made you America's most successful real estate salesman.

The book, *Walk like a Giant, Sell Like a Madman*, takes self-assertiveness to new heights. This is a book so powerful that if you read even the first two chapters it will make you better than 90 per cent of sales staff, Roberts promises at the beginning. "I love selling and one of my favourite things to sell is Ralph Roberts," he says.

The first thing you have to do to be like Roberts is to get a picture of yourself on to your business card. And then you distribute stacks of them wherever you go. At baseball games you throw a thousand cards into the crowd. At restaurants you leave a copy of your brochure (featuring large pictures of yourself, of course) along with your cheque. And if you succeed in pushing your way into the editorial pages of *Time* magazine, then you get the article made up into a wall plaque and have it sent to everyone who knows you.

Estate agents in the UK have a lot to learn about selling, but I hope they do not get hold of this book. If I want an agent's help in buying a house, I would rather not have a card with a photo of them in my wallet. My needs are different: I simply want them to buck up and return my phone calls.

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IN BRIEF

Alusuisse to sell small businesses

Alusuisse-Lonza, the Swiss industrial conglomerate, plans to raise more than SFr500m ($340m) from the sale of some of its smaller operations. It will not sell any core businesses, which range from aluminium smelting to packaging and chemicals. The group is hoping for compound growth in earnings of 10 per cent a year until 2002. Page 19

Iraqi oil deal unnerves traders
Oil traders will be seeking more clues this week about when Iraq will resume oil exports under the United Nations oil-for-food programme. The news at the end of last week that Iraqi and UN negotiators had reached agreement on a new plan sent oil prices tumbling. Page 21

Pro Sieben shares to float at DM72
The price of shares in Pro Sieben, the first German television broadcaster to come to the stock market, has been set at DM72 so that the new issue will raise nearly DM1.3bn ($742m). The offer of 17.5m non-voting shares was subscribed 50 times. Page 19

Bank of England expected to lift rates
With the US Federal Reserve deciding to keep interest rates on hold, attention this week will turn to the Bank of England's Monetary Policy Committee. Analysts are expecting a rise of 25-50 basis points when the committee's decision is announced on Thursday. Page 21

Samsung protests over Polish tender
Samsung Life Insurance, the financial arm of the Korean industrial conglomerate, has protested that it was not treated fairly in a privatisation tender for Powszechny Bank Kredytowy, Poland's sixth largest commercial bank. Page 19

Migros buys department store group
Migros, Switzerland's biggest supermarket chain, is taking over Globus, the country's biggest department store group, in a SFr700m ($476m) deal. Page 19

Markets bullish in Romania
The bull market is in full swing in Bucharest, as Romania becomes the latest hotspot in central and eastern Europe. It is volatile, unpredictable and often illiquid, but in recent weeks it has been making spectacular gains. Page 22

Facelift for UK mobile phone operator
Vodafone, the UK's largest mobile phone operator, is changing its corporate identity, including a facelift for its stores and a restructuring of its distribution business. Page 18

Billiton to target Latin America
Billiton, the non-precious metals company to be demerged from Gencor, the South African mining group, is expected to focus on three privatisations in Latin America when it issues its prospectus today. Page 18

WH Smith directors consider new chief
Directors of WH Smith, the UK stationery group, are meeting to consider candidates to replace Mr Bill Cockburn, chief executive. His resignation has cast doubt on the progress of recovery at the troubled retailer. Page 18

Matsushita retreats from video games
Matsushita, Japan's largest consumer electronics manufacturer, has decided to give up competing directly in the highly competitive video games market. Page 19

Change to FTSE dividend calculation
The committee which oversees the FTSE UK equity indices is planning to change its calculation of dividend yield from a gross to a net basis, but is delaying the change until August 4 to allow time for consultation. Page 18

Companies in this issue

Allianz	16	InterSec	17
Alusuisse	19	Marks and Spencer	18
BAT Industries	3	Matsushita	19
BT	18	Migros	19
BTR	16	Munich Reinsurance	16,19
Billiton	18	PBK	19
British Airways	1	PanAmSat	11
Brunswick Capital	1	Philip Morris	3
Cookson	16	Pro Sieben	19
Ergo	19	Reckitt & Colman	10
Eurotunnel	17	Samsung Life	19
First Austrian	17	Seascope Shipping	18
Ford	10	TI	17
Gencor	18	Tomkins	16
Girocredit	17	Trocadero	11
Globus	19	Victoria	16,19
Goodhead	18	Vodafone	18
Gremlin	18	WH Smith	18
Hamburg-Mannheimer	16, 19	Woolwich	16,18

Market Statistics http://www.FT.com

Base lending rates	23	London recent issues	22
Company meetings	12	London share service	24,25
Dividend payments	12	Managed funds service	26-28
FT/S&P-A World Indices	20	Money markets	22
FT Guide to currencies	21	New intl bond issues	22
Foreign exchanges	23	World Stock Market Indices	29

Tunnel chiefs' pay attacked

Eurotunnel shareholders to mount challenge over directors' salary rises

By Andrew Jack in Paris

Eurotunnel, the operator of the Channel tunnel, is to face criticism from shareholders this week over the remuneration of its executive directors.

The challenge will come at an extraordinary general meeting on Thursday as the company seeks to persuade investors to support an £8.5bn ($14.3bn) restructuring plan negotiated with its creditor banks.

Mr Christian Cambier, head of the Association of Eurotunnel Shareholders, says he will question the board on what he calls an "out of control" increase in senior salaries shown in the 1996 annual report, compared with those published the previous year.

The 1996 annual report shows executive directors' remuneration rose 16 per cent to £1.6m, while pension contributions by the company to those directors rose 33 per cent to £284,000 in 1996. Non-executive directors' fees rose 27 per cent to £243,000.

While his 3,000-strong association has decided to vote in favour of the restructuring, Mr Cambier says it will oppose other resolutions to renew the mandates of two board directors, Mr Alain Bertrand and Baron de Wouters. "We want directors who are closer to shareholders," he said.

The votes are unlikely to succeed, and Eurotunnel has in the past few days persuaded most of the significant investors who were threatening to veto the restructuring plan to change views and support it.

However, Mr Patrick Ponsolle, co-chairman of the company, has asked its auditors to report on the increase in executives' salaries at Thursday's meeting.

The final figures have not yet been prepared, but Eurotunnel said that after removing the effects of a one-off payment to the finance director who retired last year, and changes in the exchange rates between the French franc and the UK pound, the top salaries have risen by less than 1 per cent. The figure including pension contributions is higher.

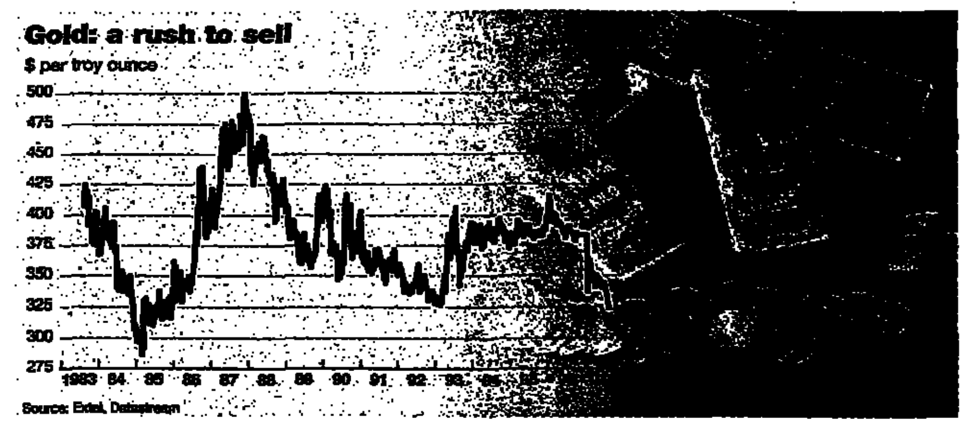
Mr Cambier has also been critical of the fact that several of the company's directors held only one share until recently. Mr Ponsolle argues that they have subsequently increased their holding, but they were forbidden by stock exchange rules to do so until the outline restructuring plan was announced in late May.

Mr Ponsolle said it was still uncertain whether the EGM would have the legal quorum necessary for the vote on the restructuring plan to be valid.

He hinted that he would resign if the quorum was not reached and if a subsequent EGM still did not achieve the number required.

Price slump has encouraged talk of takeovers and mine closures

Central bank move takes shine off the gold market



By Bernard Simon in Toronto, Deborah Hargreaves in London and Bruce Jacques in Sydney

The slump in the bullion price to its lowest level for 12 years has led some analysts to suggest a significant change in the gold market as the precious metal loses its sentimental appeal to investors.

Last week's fall in prices was triggered by the Australian central bank's disclosure that it had sold two-thirds of its gold reserves over the previous six months.

"The goal posts have been moved in this market," said Mr Andy Smith, precious metals analyst at UBS in London. "When the central bank of a major producing country sells gold, it reveals a profound change of heart among bankers about holding gold."

The usual optimism among traders and mining companies that a price recovery is around the corner has disappeared. Instead, the talk among gold producers is about mine closures, corporate mergers and takeovers, and a reassessment of the valuation of gold mining shares.

"We're down to levels that are pretty scary," says Mr Jeffrey Ralph, senior precious metals trader at Royal Bank of Canada. In London, the gold price last week sank more than $7 an ounce to $324.75 at Friday afternoon's London fix. In New York, the metal traded as low as $323.65 on Thursday before the US market closed for the long holiday weekend.

The Geneva-based World Gold Council, which promotes the metal, called sales by Australia's Reserve bank "unnecessary" and lacking "sensitivity".

However, enthusiasm for gold has been crumbling for months. Central banks in the Netherlands, Belgium and Switzerland have sold off reserves and the US Federal Reserve has issued a paper suggesting central banks have no need to hold gold.

Gold mining shares have fallen sharply. The Toronto stock exchange's gold index – which reflects the performance of North American gold mining companies – has fallen by 30.5 per cent this year, including a 5.5 per cent loss last week.

The Australian central bank's sales prompted a sell-off in the local market, with gold shares falling by more than 4 per cent. Bears argue that the price could fall further, pointing to the strength of the US dollar, low inflation, and continued buoyancy in world equity markets, as well as the threat of more sales by central banks.

"Any rallies will be seen as selling opportunities," Mr Ralph predicts. "I think the trend is still down."

Some analysts think the price could approach lows of $270 to $280 per troy ounce last seen in the early 1980s.

Gold shares, which have recently traded on multiples of between 2.5 and 3 times net asset value, could fall to multiples of between 1.5 and 1.6 – levels last seen before 1993, predicts Mr Michael Durose, analyst at Bunting Warburg, a securities firm, in Toronto.

The share price fall would accelerate mine closures and corporate takeovers, according to mining executives.

The World Gold Council said the drop in price was "very serious" for its members: "Many are unhedged and a lot of big companies are under pressure."

Two groups of producers are best placed to withstand the slump in prices. Some companies have had the foresight to lock in prices for future output through forward sales and other hedging devices.

Canada's Barrick Gold has hedged 7.5m ounces, or almost three years production, at an average price of about US$420 an ounce.

Assuming the market recovers before its hedging contracts expire, the recent slide "is not going to affect our cash flow or our profitability", says Barrick.

Still, Barrick's share price dipped to C$28.20 in Toronto on Friday, from its 52-week peak of C$41.50.

In addition, mines with low operating costs will be able to ride out the slump more easily than high-cost producers. Many companies are seeking to reduce costs.

Already some companies are suspending operations and postponing investment plans. Earlier this year, Toronto-based TVX Gold closed its 60 per cent-owned Casa Berardi mine in Quebec. Royal Oak Mines, with first-quarter cash costs of $372 an ounce, said that it intends to suspend operations at some high-cost mines to conserve cash.

The pace of takeovers and mergers is picking up. Earlier this year, Newmont Mining won a bidding war for Santa Fe Pacific to form North America's biggest gold producer. Several South African mining houses have swapped properties to streamline operations.

Small mining and exploration outfits, already struggling to raise funds in the aftermath of the Bre-X scandal, are likely to be under greatest pressure in coming months. "The juniors are going to be forced into (mergers and acquisitions), or else they're going to get wiped out," says Mr Durose.

Commodities, Page 21

First Austrian plans IPO to fund takeover

By Eric Frey in Vienna

First Austrian Savings Bank plans to raise up to Sch10bn ($812m) in Austria's biggest initial public offering to date. It is raising the money to finance the takeover of Girocredit, the country's third biggest bank, announced earlier this year.

The IPO will take place at the end of the year or in early 1998, according to Mr Reinhard Ortner, First Austrian board member.

The receipts will be used to pay the Sch8.2bn the bank still owes Bank Austria for the purchase of a 56 per sent stake in Girocredit. The merger of the two will form Austria's second-biggest banking group, with assets of Sch679bn.

First Austrian's main shareholder, the AVS foundation, will place 33 per cent of the bank's nominal capital of Sch4.1bn on the stock market and reduce its own stake to around 50 per cent.

As part of the terms of the Girocredit deal, also announced on Friday, First Austrian is offering Girocredit shareholders five ordinary shares for every 12 Girocredit shares.

First Austrian also outlined measures to simplify its multi-tier capital structure, making the offer more attractive to international investors.

Holders of non-voting preference shares and participation notes can exchange them for ordinary shares or accept compensation in cash, the bank said.

The merger should be officially approved by the shareholders of both banks at extraordinary general meetings in August and should be completed on September 30. The adviser for the merger is Union Bank of Switzerland, which will also co-ordinate the international share offering.

Mr Andreas Treichl, who becomes First Austrian chairman next month, predicted 10 per cent earnings growth each year from the merger.

First Austrian did not give any indication for the issue price, but analysts estimate a price range of Sch650-Sch700 a share. The bank is expected to raise some of the money it is seeking from strategic investors, which might include Bacob, the Belgian bank.

TI engineering group to split into seven businesses

By Peter Marsh in London

TI, one of Britain's biggest engineering groups, is to unbundle its three operating divisions into seven distinct units in a drive to expand business. Each will have a chief executive or equivalent.

The change is in line with moves by other international companies to give individual businesses more operational responsibility while retaining control of overall strategy.

Sir Christopher Lewinton, chairman and chief executive, said: "We have tended to be driven by shareholder value. Now we want more growth in the top line [sales] as well."

In the past five years, TI has increased turnover 53 per cent, while profits have doubled. Sir Christopher's remarks indicate he will be looking for sales increases in the next five years of 10-15 per cent annually – above what it has achieved recently.

TI's change is geared to maximising expansion opportunities within its three main business areas of specialist seals, fluid control systems and aerospace equipment.

Companies in the US that have successfully pursued this approach include General Electric, whose activities range from washing machines to jet engines.

TI's sales last year were £1.76bn, ($2.9bn) of which just 13 per cent was in the UK. It made a pre-tax profit before exceptional items of £211.1m.

TI argues that the change will not lead to any reduction in "focus" for the group, but will unlock the energies of people within the company.

He was made chief executive in 1986, becoming chairman three years later. In the 1980s, more than half TI's sales were in Britain. Since then, he has focused TI on niche areas of engineering with international customers, selling underperforming businesses such as bicycles, kettles, metal tubes and exhausts. Sir Christopher argues that only now has TI reached a point where it makes sense to split up the three main operations. "The children have grown up and should be allowed to fly free," he said .

The seven new divisions will include general mechanical seals for process plants such as chemical works; marine equipment; and polymer-based sealing systems.

The fluid equipment unit is being split into two to focus on products for cars and refrigerators. The aerospace division is also dividing into a unit for landing gear, being run jointly with Snecma of France, and general aerospace systems.

Swiss pension funds look abroad

By Norma Cohen in London and William Hall in Zurich

Foreign companies now manage 10 per cent of Swiss pension fund portfolios which use external advisers. This poses a serious challenge to the country's banks, which have excelled at investment and dominated the industry.

According to a report published last week by InterSec Research, the US-based pension consultants, foreign companies have a greater penetration of the domestic pension fund management market in only two other countries – Australia and Hong Kong.

Mr Chris Nowakowski, president of InterSec, says the rising use of non-Swiss managers stems from the need by employers to obtain higher returns on their contributions.

In 1986, the Swiss made pension provision mandatory and assets now total SFr800bn, of which about a third is externally managed and some SFr10bn managed by foreign firms. Five years ago, almost no pension assets were managed by foreigners, he says.

Mr Nowakowski says that the emphasis on high returns is a recent phenomenon for Swiss banks. "Their bread and butter had been an unnamed account [holder] who was only interested in capital preservation and didn't care about performance," he says.

But now employers want higher returns. Equities markets and non-Swiss markets, which are providing these returns, are new to many Swiss banks.

Significantly, he says, of the 150 portfolios managed by foreigners, 79 are equity portfolios and 31 are "balanced", containing a mixture of equities, bonds and cash.

Leading Swiss bankers expressed some scepticism about the InterSec data, noting that bonds and property – areas which foreign firms offer little competition – still dominate pension fund portfolios.

Make-over aims to remove 'unadventurous' tag from group which pioneered mobiles

Vodafone changes corporate identity

By Alan Cane

Vodafone, the UK's largest mobile phone operator, will today dial up a new corporate identity, including a facelift for its 300 high street stores and a restructuring of its distribution business.

The make-over for the company, which pioneered mobile phones in Britain but has since attracted an "unadventurous" tag compared to newcomers such as Orange, is expected to usher in a new phase of development in the UK industry.

The move is designed to confirm Vodafone's leading position and to stimulate growth in a market which has become sluggish after a decade of robust expansion.

The group, which has 2.9m subscribers in the UK, is expected to announce that it is cutting many of its separate brands and is introducing a unified billing system.

Much confusion in the UK cellular market has been the result of government insistence in the early days that operators should not sell direct to the public, but should work through service providers who manage the relationship with the customer, including billing.

Many of these companies have found it difficult to trade successfully, and have been acquired either wholly or partially by Vodafone. As a result it now has a range of brands including Vodac, Vodacall, Talkland, Peoples-Phone and Astec.

The intention is to bring the six service providers under one umbrella, cutting costs and providing a stronger brand identity.

It is also likely that the company will cut prices later in the year to breathe new life into a market suffering some of the highest charges in Europe.

Some analysts believe prices will have to fall before the UK moves from its present penetration rate of 12 per cent to a higher level.

In France the level is 5 per cent, in Germany 7.5 per cent – and almost 30 per cent in Scandinavia.

Competition in the UK is intensifying, with a majority of Vodafone and Cellnet customers now connected to digital rather than the older analogue networks.

One-2-One, moreover, the smallest of the four UK operators, is close to achieving country-wide coverage with its network, and has announced tariffs for some of its customers which are well below those of its competitors.

Seascope plans to float with £15m marker

By Charles Batchelor, Transport Correspondent

Seascope Shipping Holdings, a UK shipbroking and consultancy group, plans to raise £4m ($6.6m) in new capital in a stockmarket placing later this month, expected to value the company at about £15m ($24.8m).

It will issue a pathfinder prospectus on Thursday, which will reveal pre-tax profits of about £1.4m in the six months ended June 30, on turnover of about £4.25m. In the year to last December, profits were £1.8m on turnover of £6.6m.

The company is to offer 30 per cent of its shares to the public. This will reduce its directors' and ship brokers' holding from 65 per cent to just under 50 per cent, and that of 3i, the development capital group, from 35 to 20 per cent.

Seascope handles the sale and purchase of second-hand ships, and acts for oil companies and ship owners in chartering tankers and oil industry support vessels. It will be only the second quoted ship broker, alongside H Clarkson, on the Stock Exchange.

"We have seen the decline of shipping and shipbuilding in Britain, and we need to be alert to the competition in shipping services," said Mr Tom Young, chairman and chief executive. "We need working capital to compete with people like the Norwegians who are strong in this area."

The listing is intended to repay existing debt and preferred capital of £2.25m, and to release cash flow for reinvestment. It will make funds available for acquisitions and allow equity-linked incentives to retain and motivate staff.

The company is forecasting further growth as shipowners upgrade their fleets by chartering and buying more modern tankers and carriers. New business is being created by the authorities' demands for higher quality vessels, and the contracting-out of services by the marine departments of oil companies.

Seascope also plans to expand offshore activity to take in a wider range of vessels.

Seascope was established in 1972 and acquired by Henry Ansbacher, a merchant bank, 10 years later. In 1989 the present management staged a buy-out which valued it at £2.3m.

The issue is sponsored by Guinness Mahon; Bell Lawrie White is broker.

Billiton targets Latin America

By Jane Martinson

Keeping his options open: Brian Gilbertson, 'this is an opportunistic business'

Billiton, the non-precious metals company to be demerged from Gencor, the South African mining group, is to outline its expansion plans today with a focus on three privatisations in Latin America.

In a prospectus which is expected to value it at up to £4.5bn ($7.42bn) the group sets out its interest in the privatisations and several other development projects in Mozambique and Australia.

The group, which hopes to raise between $1bn and $1.5bn from its listing on the London Stock Exchange, is interested in a joint bid for CVRD, an iron ore privatisation in Brazil.

Billiton is also bidding for an aluminium group being privatised in Venezuela and a coal outfit going public in Colombia.

Mr Brian Gilbertson, Gencor chairman, wants to appoint a new executive director with knowledge and experience of Brazil. He said the group, which has 20 per cent of its assets in Brazil, would like to increase its operations there.

The group has also appointed a new director with responsibilities for base metals operations. The identity of the appointee is unlikely to be announced today, however, as they are working for a rival operation.

Billiton will retain an organisational structure based on the six commodity areas in which it operates.

Mr Gilbertson emphasised that the group wanted to keep its options open on individual investments. "This is a time of great opportunity for our industry and it is a very opportunistic business," he said.

With gearing at about 30 per cent, the group's financial structure would be sound without the extra capital raising, he added.

The group's profits estimates for the year to the end of June are expected to suggest that the last quarter of the year was better than the third.

UBS, one of the lead brokers to the deal, is expecting a pre-tax and exceptional profit of some £300m. At a consensus valuation of about £3.9bn, the shares would trade at about 250p, putting them on a price/earnings multiple of about 20 times.

Full investor roadshows will start today, while the shares are expected to start trading in two weeks' time.

NEWS DIGEST

M&S share plan comes under fire

A new executive share option scheme at Marks and Spencer, the UK clothing retailer, has come under fire for not being tough enough. PIRC, the corporate governance consultancy, is urging its institutional shareholder clients to vote down the plan at the company's annual meeting later this month.

It says the period over which the performance of directors will be measured is too short and criticises the company for using just the FTSE-100 index, not other retailers, as a performance benchmark.

Mr Keith Oates, deputy chairman of the group, made an £836,000 ($1.38m) profit on share options last year, taking his total remuneration to £1.44m, against £1.25m for chairman Sir Richard Greenbury.

PIRC has also criticised Boots for allowing its chairman, Sir Michael Angus, to head the remuneration committee. PIRC says this goes against best practice recommendations contained in the Greenbury report on executive pay and says shareholders should vote against the report and accounts. *Christopher Adams*

Gremlin signs Alan Shearer

Gremlin, one of Europe's leading computer games developers and publishers, which is expected to float later this month, has signed Alan Shearer, the £15m ($24.8m) Newcastle United and England football star.

Mr Shearer, who will become "Football Consultant to Gremlin Interactive", will advise Gremlin on the development of Actua Soccer 2, a soccer action game to be launched in October. He will provide advice on tactics and will also have his own tactical section within the game, which will give players advice on set-pieces, special moves formation and strategy.

Gremlin is expected to raise around £45m from its flotation and will use the funds to gain a greater share of the international games market. *Emiko Terazono*

Goodhead wins BT contract

Goodhead Group, the UK printing and publishing concern, will today announce a contract awarded to Benham, its Colchester-based subsidiary, to publish annually 23m alphabetical telephone books for British Telecommunications. It is believed that the deal would be "worth millions."

Benham, which was purchased by Goodhead in April this year, will print BT phone books for an initial period of 6 years. *Emiko Terazono*

■ CAVERDALE has bought a 20 per cent shareholding in Spafax, the appointed distributor in France for Snap On tools, for FFr5m (£514,000) cash.

■ DIAGONAL, the information technology consultancy which came to the market in March, has expanded with the acquisition of Conos Resource for £2.2m. Conos is an IT service company based in Leeds, specialising in the recruitment of permanent and contract staff.

■ EUROPEAN MINING FINANCE has entered into an option with Keynes Investments to buy China Zinc which has a 60 per cent interest in a zinc-gold project 300kms north-west of Beijing.

■ METALRAX, the engineering group, has acquired Cannie, supplier of kitchen gadgets and picnic ware, from Mr Tony Thompson, for up to £1m cash. Some £400,000 was paid at completion, with a further £100,000 based on net assets at April 30 and up to £500,000 being profit-related.

Woolwich shares expected to open at more than 320p

By Christopher Brown-Humes

Shares in Woolwich are expected to open at more than 320p this morning when the former building society makes its £5bn ($8.25bn) market debut.

This would make the new bank's 2.5m new shareholders at least £1,440 richer – on paper at least – as they are all receiving a minimum of 450 shares. The average windfall would be worth about £2,000.

On Friday, financial bookmakers City Index were quoting a closing price today of 329p to 337p and rivals IG Index were plumping for 323p to 331p.

This is well above the 175p to 200p level predicted by the company and its brokers, BZW, in January. Some 23 per cent of Woolwich members have opted to sell their shares to institutions through four auctions staged by BZW this week.

The first auction for 92.5m shares – 5.8 per cent of the total share capital of 1.6bn shares – will be held this evening. The other three auctions, with roughly equal numbers of shares available, will take place on each of the next three days. Sellers will get the average of all four of them.

The Woolwich debut continues the UK's unprecedented £30bn demutualisation bonanza which began with Alliance & Leicester in April and continued last month with Halifax, and Norwich Union.

WH Smith directors meet to consider a new chief

By Peggy Hollinger

WH Smith directors will meet this morning to consider potential candidates to replace chief executive, Mr Bill Cockburn, whose resignation two weeks ago cast doubt on the progress of recovery at the troubled high street retailer.

The meeting of Smith's four non-executive directors comes amid claims of widespread unhappiness among executive directors in the run-up to Mr Cockburn's resignation announcement. One director admitted that the recovery programme was "running far behind in the retail business and is not where it should be".

The news of delays in restructuring is a further blow to investors who have seen their shares fall from a high of more than 500p last year to 354½p on Friday. Institutions are incensed at Mr Cockburn's decision to leave just 18 months into a four-year recovery programme.

One of the company's largest shareholders said he was "cheesed off" with Mr Cockburn, who had been drafted in from his job as chief executive of the Post Office with a high profile brief to turn the core business round. Mr Cockburn will leave in October to become managing director of British Telecoms UK operations.

"As shareholders we have been left in the lurch," he said. "I do not think that personally Mr Cockburn has covered himself in glory."

Smith's directors, too, are annoyed with Mr Cockburn's actions, in spite of presenting a unified front at the time of the announcement. "I think he should not have done it," said one. "He has not been there long enough. He is out for himself."

Today's meeting, however, will attempt to narrow down a list of external candidates, thought to be made up mainly of UK retailers, presented by headhunters.

The board will also have to consider whether to short-list the internal candidates who include four of its executive directors: Mr Keith Hamill, finance director; Mr Richard Handover, managing director of news distribution; Mr John Hancock, chief executive of the US division; and Alan Giles, managing director of Waterstone's.

FTSE committee dividend change

By Our Financial Staff

The committee which oversees the FTSE UK equity indices is planning to change its calculation of dividend yield from a gross to a net basis, in view of last week's budget, but is delaying the change until August 4 to allow time for consultation.

The move follows the announcement in the budget that dividend tax credits paid to pension funds and companies were being abolished with immediate effect. This means that many large City institutions, which are the main users of the FTSE indices, will now receive dividends net rather than gross.

The committee is delaying because changing to a net basis raises a number of technical problems, notably the fact that the minimum funding requirement laid down for funds in the 1995 Pensions Act includes a gross dividend yield yardstick.

The FTSE committee said in a statement that from August 4 the net annualised dividend used in the calculation for each constituent stock would not be grossed up by the tax credit and the yield would fall by the value of the existing tax credit.

Despite the delay, the committee will change the calculation of indices' total return from a gross to a net basis from today and will do the same for adjustments to the index resulting from dividend payments.

LEGAL NOTICES

INSOLVENCY ACT 1986
GILL GROUP LIMITED
GILL ENGINEERING (ELECTRICAL) LIMITED
GILL ENGINEERING (PIPEWORK SERVICES) LIMITED
PRINCIPAL PLACE OF BUSINESS: [illegible] SHEFFIELD
(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to section 48 of the Insolvency Act 1986 that a Meeting of the unsecured Creditors of the above named Companies will be held at [illegible] Sheffield on 14 July 1997 at 10.30am, for the purposes mentioned in Section 48 and 49 of the said Act. [illegible]

Dated July 2 1997
DAVID JOHN STOKES and
EDWARD KLEMPKA
Joint Administrative Receivers
[illegible]

COMPANIES AND FINANCE

Alusuisse to spin off small businesses

By William Hall in Zurich

Alusuisse-Lonza, the Swiss industrial conglomerate, plans to raise more than SFr500m ($340m) from the sale of some of its smaller operations. It has, however, decided against selling any core businesses, which range from aluminium smelting to packaging and chemicals.

Alusuisse shares have risen sharply over the past few weeks on rumours that Mr Sergio Marchionne, the new Canadian-born chief executive, was planning to spin off parts of the business.

But Alusuisse shares fell by SFr29, to SFr1,479, following the announcement on Friday that it would remain a "diversified industrial" company.

Mr Marchionne stressed that a spin-off of one or more of Alusuisse's corporate divisions was "not on the cards". He described as "conceptually flawed" arguments that shareholder value could best be created by spinning off highly focused "pure plays" in individual industries.

Mr Marchionne said that although Alusuisse had rejected "fashionable ideas for unleashing shareholder value", he had set a number of targets. The group is committed to compound growth in earnings from its organic businesses of 10 per cent a year until 2002. It was also looking to double turnover to SFr15bn over the same period, partly through acquisitions.

Alusuisse, which is in the throes of a big investment programme, expects to finance its growth without recourse to the equity market. As part of a reshuffling of its portfolio, it will sell half a dozen small businesses, mainly in the packaging area, with combined sales of SFr800m.

Alusuisse has reviewed all its businesses and is replacing its current structure of three operating divisions by six sectors with "significant potential for attaining global leadership positions".

Packaging, the group's biggest business, is being split into a food and tobacco division and one for pharmaceuticals and cosmetics, where the company is the world leader.

The chemicals division is being divided into fine chemicals and specialities, and chemical intermediates and additives.

The group's traditional upstream and downstream aluminium operations are the only part of the business untouched by the reorganisation.

Mr Marchionne had been courted by numerous investment bankers in Europe and the US, each of whom had a "great idea" about how to enhance shareholder value. However, they had "nothing to do with managing industrial reality", said Mr Marchionne.

General Electric, the most valuable company in the world, was a diversified industrial company and there was no logic to the argument that diversified industrial companies "kill shareholder value", he said.

The group's results in the first half of the year have been hit by start-up delays in its Swiss and US fine chemical operations. However, Mr Marchionne said the full-year results will exceed those of last year, when the group earned SFr417m, or SFr68 a share.

Samsung protests over bid treatment

By Christopher Bobinski in Warsaw

Samsung Life Insurance, the financial arm of the Korean industrial conglomerate, has protested that it was not treated fairly in a privatisation tender for the Powszechny Bank Kredytowy (PBK), Poland's sixth-largest commercial bank.

The strident complaint, which is rare for a Korean company, comes as the Polish government continues to delay the decision on the sale of the bank.

Mr Wlodzimierz Cimoszewicz, prime minister, is demanding that the treasury explain why it is recommending that PBK be handed to a local group of financial institutions which is reportedly offering 15 per cent less than Samsung.

Samsung said: "We would question the integrity of the authorities, who are attempting to hide what appears to be a predetermined selection of the so-called Polish consortium behind a claimed free and open tender process." The group says its "superior offer" is being "virtually ignored" by the Polish government.

Until now the Polish group, which hinges on the Krakow-based Bank Przemyslowo Handlowy (BPH) and the Warta insurance company, has been considered favourite to win the tender after Citibank of the US withdrew from the race.

The government, which is being advised by HSBC, says it wants to sell a 85 per cent stake to a strategic investor with a further 15 per cent to be floated on the WSE this autumn.

Originally, four Polish institutions were to have made up the purchasing consortium: the BPH, Warta, the Polish Development Bank (PBR), an investment bank, and Kredyt Bank, which recently purchased the local Polish Investment Bank (PBI).

The group offered to buy a 51 per cent stake in PBK with the European Bank for Reconstruction and Development offering to buy the remaining 14 per cent.

In the meantime Kredyt Bank's resources have been stretched by its new acquisition and the PBR, which had planned to raise funds for the PBK purchase by selling new stock to Daiwa, has seen its talks with the Japanese bank suffer delays.

Thus the BPH and Warta are now each offering to buy 18.5 per cent of the PBK, with the EBRD sticking by its proposed 14 per cent stake. Kredyt Bank and the PBR have said they will buy the remaining stock within two years at market prices.

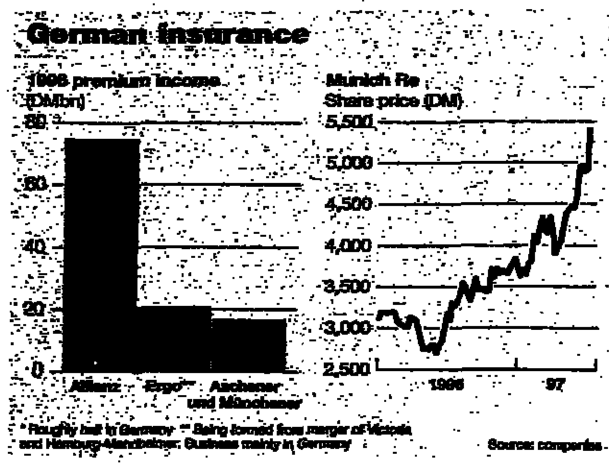
In response, Samsung has offered to match the local bid by paying for a 51 per cent stake now and the remaining 15 per cent on the same terms within two years.

Reinsurer steps outside tradition

Munich Re is concentrating its direct insurance activities in a new company

Towering outside one of Munich Reinsurance's office buildings is a huge white statue called the Walking Man. It is meant to symbolise strength and mobility, two characteristics that do not always go together – especially in the somewhat staid world of insurance.

Yet Munich Re took a big step outside its traditional business of reinsurance – in which it is the world's biggest company – with Friday's announcement that it was concentrating its activities in direct insurance into a new company called Ergo. The move will make it number two in the German direct insurance market next to Allianz.



* Roughly half in Germany ** Being formed from merger of Victoria and Hamburg-Mannheimer. Business mainly in Germany. Source: companies

With the creation of Ergo through the merger of the Hamburg-Mannheimer and Victoria insurance companies, Munich Re – which will own up to 60 per cent of the new company – has shown it is serious about developing its insurance activities in the life, health, accident and legal protection fields to balance its more volatile worldwide reinsurance business.

The move also signals that the German insurance market, deregulated under European Union rules since 1994, is due for a further shake-up. That goes for banking, too. In both sectors, Germany has a surfeit of companies.

Mr Diethart Breipohl, Allianz finance director, said late last year that concentration in financial services would intensify as banks and insurance companies competed increasingly for clients. The planned European single currency would speed this up by making it easier to compare prices of financial products across borders.

"The concentration process in Europe has only just begun," he added. Japan had 20 insurance companies for 150m people. On this basis, Europe should have no more than 50. Instead, it has more than 5,000 insurers.

Ergo, therefore, could be the precursor of a broader wave of German and European restructuring. By opening up the market to outside competition – though foreign insurers have not found it easy to penetrate Germany – deregulation has made life tougher for domestic companies, says Mr Bob Yates, insurance analyst at Fox-Pitt Kelton, the UK stockbroker.

Allianz's financial strength and efficiency gives it a secure position. "Deregulation has increased the performance gap between Allianz and the others. It increases the pressure for consolidation."

Some analysts, however, play down the significance of the Ergo deal, saying Munich Re is merely tidying up its holdings. "It is a sensible move, but does not involve a huge amount of restructuring or cost-cutting," says Mr Michael Lindsay, insurance analyst at Lehman Brothers.

After Ergo's formation, Aachener und Münchener – in which Assurances Générales de France owns 33 per cent – will be demoted to third place in the German market. Other companies on which restructuring could be focused include the Nürnberger and Württembergische insurers.

Although Munich Re and Allianz will remain closely linked – each owns 25 per cent of the other's shares – their relationship will change with the creation of Ergo.

"I cannot believe that you can have a new entity, Ergo, that doesn't put pressure on the two companies to move in separate ways," says Mr Yates.

"It is hard to believe that Allianz and Munich Re will behave in the same cosy way as in the past, since each is the biggest competitor of the other [in direct insurance]," he adds. Not that Allianz, twice the size of Ergo in the German insurance market, has much to fear. "It is in a strong enough position. They won't kill each other."

But Allianz and Munich Re may reconsider the need to own a quarter of each other's shares, especially if the government cuts taxes and thus encourages the sale of shareholdings by banks and insurance groups sitting on large capital gains.

However, analysts reckon any unwinding of the Allianz and Munich Re stakes would be a few years off.

Since Allianz also owns 23 per cent of Dresdner Bank and Bayerische Hypotheken-und Wechsel-Bank – two big German banks accounting for about 20 per cent of its life assurance sales – expectations of a further reshuffling of the cards in Europe's financial sector are high.

Thus as competition hots up and shareholders demand higher returns, further Ergo-type deals could be on the way.

Andrew Fisher

Matsushita games move

By Michiyo Nakamoto in Tokyo

Matsushita, Japan's largest consumer electronics manufacturer, has decided to give up competing directly in the highly competitive video games market.

In an indication of the company's decision, Mr Yoichi Morishita, president, said last week: "The market has matured. It is difficult to make a fresh entry in the market with a home use video games machine."

Matsushita markets a 32-bit games machine based on technology it licenses from 3DO, the US company. It was the first to launch a 32-bit machine, called 3DO Real, in Japan, but the group fell behind its competitors, Sony and Sega. Sony's PlayStation is recognised as the market leader, beating even Nintendo's 64-bit machine in terms of sales.

Matsushita has sold just 750,000 units in Japan and 630,000 overseas, compared with PlayStation sales of 13.5m units at the end of March.

Matsushita had planned to launch a 64-bit machine to counter Sony's pre-eminence in the video games market and had acquired the licence for 3DO's 64-bit technology for Y10bn ($87m).

However, the company decided against commercialising the new technology specifically for home video games, and will use it in multimedia and other applications instead.

Matsushita's move into video games had been flawed by poor marketing and a lack of attractive software titles. By promoting its 3DO Real as a multimedia machine and marketing it through its own consumer electronics retailers, Matsushita left consumers confused over what the machine was, one analyst said.

The company also failed to cultivate successful software developers as aggressively as competitors such as Sony. Success in the video games market has been increasingly linked to success in winning over software developers who can produce best-selling titles.

INTERNATIONAL NEWS DIGEST

Pro Sieben to float at DM72

The price of shares in Pro Sieben, the German television broadcaster which is the first to come to the stock market, has been set at DM72 so that the new issue will raise nearly DM1.3bn ($742m). The company said the offer of 17.5m non-voting shares had been subscribed 50 times.

The price range under the bookbuilding method used to assess investors' interest had been set at between DM66 and DM72. In the unofficial grey market, ahead of official trading starting today, prices of more than DM100 have been reached. Mr Georg Kofler, Pro Sieben's chief executive, said the new issue had been one of the most successful in German stock market history. Just over half the shares in Pro Sieben – in which Mr Thomas Kirch, son of Mr Leo Kirch, the film and television media magnate, has a majority stake – will be allotted to private German investors.

The issue was managed by a consortium led by BHF-Bank, Bayerische Hypotheken-und-Wechsel-Bank and Salomon Brothers, the US investment bank.

Andrew Fisher, Frankfurt

Migros takes over Globus

Migros, Switzerland's biggest supermarket chain, is taking over Globus, the country's biggest department store group, in a SFr700m ($476m) deal.

Migros, which is a federation of co-operatives, has agreed to buy 53.8 per cent of Globus, which axed its dividend last year after a loss of SFr179m. The acquisition is the biggest in the Swiss retail sector.

Globus, which took over Jelmoli, a rival department store last year, is reorganising under a new management team. Mr Hans Peter Mahler, whose family is the biggest shareholder, said the merger would "speed up our endeavours". Migros, which has annual sales of SFr16bn, will continue to operate the businesses separately but sees cost savings in logistics, information technology and joint buying power.

Migros is paying SFr1,180 per Globus share and SFr1,080 per participation certificate and will offer the same to the rest of the Globus shareholders. The offer was priced at a premium of 25 per cent to the Globus share price.

William Hall, Zurich

Polish copper issue priced

The Polish government has priced KGHM Polska Miedz, the country's copper ore mine and smelter which accounts for 3.4 per cent of world output, at 21 zlotys per share for foreign and local institutional investors. At the same time a 6m share tranche for local retail investors, who are paying 19 zlotys per share, has been increased by 10m shares, reflecting strong retail interest in the offer, which closed last Friday. The flotation should bring the government treasury about $415m in revenues.

The decision values KGHM at $1.3bn and leaves foreign institutions with a maximum of 21 per cent of the company's equity, which will be held through Global Depositary Receipts. Local investors, both retail and institutional, will hold 15 per cent of the shares. The decision to increase the stock allocated to local retail investors shows the Polish treasury continuing to favour the small investor, who was also well treated during the privatisation of the Bank Handlowy which closed recently. The 21 zlotys a share price gives KGHM a p/e ratio of 15 and a price to book-value ratio of 1.16.

Christopher Bobinski, Warsaw

LEGAL NOTICES

INSOLVENCY ACT 1986
GILL AIRVAC INTERNATIONAL LIMITED

FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / **Richard Waters**

Facing a corporate nightmare

When Mr Vance Coffman takes on the top job at Lockheed Martin next month, he will face an American chief executive's worst nightmare: there are no other companies left for him to buy.

The problem is that Lockheed Martin has already bought them all. Last week, it swept up the last candidate of any size in the defence industry, Northrup Grumman, a company which had also been on a buying spree. The consolidation in the sector has left only three companies standing (assuming the Europeans don't prevent the completion of a merger of Boeing and McDonnell Douglas).

This is an extreme example of what has been happening in many corners of American business. The upsurge in mergers that began in 1993 has got bigger all the time. It is a phenomenon that has both been fed by the great bull market of the 1990s and helped to sustain the market's rise. This wholesale dealmaking will not turn out to have been as universally good for investors as investment bankers would have you believe – though this will not become clear until the music stops.

In the defence sector, it is hard to pick holes in the rationale for mergers. The post-Cold War defence budget is down around 70 per cent from its Reagan-era peak, yet since the mergers broke out four years ago the sector has beaten the S&P 500.

There are few other sectors which have been through this sort of reduction in capacity. Yet some echoes are discernible: commercial banks, for instance, have been closing down branches on a huge scale, thanks to mergers between regional rivals. The number of bank branches now pressed into service as coffee bars and restaurants has created a glut of a different type.

Columbia/HCA has single-handedly forced a reduction in the number of empty hospital beds through buying rival hospitals and closing them down. But in both healthcare and banking, unlike defence, there are still plenty more companies to be bought.

This, though, is only a small part of the story. Merger fever has spread to all corners of the economy and companies with managers who have never handled an acquisition before are contemplating buying before they themselves are bought.

It is worth pausing over the scale of this phenomenon. As the chart indicates, mergers last peaked in 1988. But if things continue as they have done so far this year, then 1997 will see corporate combinations worth more than twice that amount.

As long as the bull market continues – and as long as investors accord a premium to acquirers – more companies will get drawn into the fray.

A highly favourable accounting environment has also provided a stimulus. Most companies have been able to use a form of merger accounting to avoid the creation of goodwill and so avoid the need to write it down against future profits; and post-merger restructuring charges have become almost a source of hidden reserves. The excesses that this can encourage only become clear when the music stops and the earnings growth which has been conjured out of mediocre acquisitions vanishes.

Against this background, it would be surprising if unwise corporate unions were not being propagated. Evidence is emerging of some less well-conceived marriages. Eli Lilly, which paid $4.1bn (£2.48bn) for drugs distributor PCS, and Viacom – which paid $8.4bn for Blockbuster Entertainment, a video company – have both tacitly confessed they paid too much by writing down the value of their acquisitions.

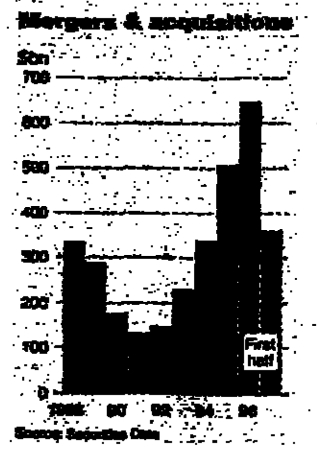
Both deals were examples of the synergies that were meant to come about by combining a producer with a distributor. Both failures point to wider truths about their industries: the mergers which have reshaped the media and entertainment business have done little for shareholders, while pharmaceuticals companies have prospered by doing what they always did best – discovering and making new drugs – rather by finding ways to vertically integrate.

None of this will stop the mergers continuing, and growing in size. Last week, Wall Street was abuzz with talk of two near-$50bn deals, one that had been put on ice (a merger of AT&T and SBC Communications), and another that continues to prompt speculation (Citicorp and American Express).

These, or the other giant deals that will inevitably ensue, may end up being great news for investors.

As with many other aspects of this unprecedented bull market, though, it is worth taking it all with a big pinch of salt.

Mergers & acquisitions



Source: Securities Data

Total return in local currency to 4/7/97

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.11	0.01	0.08	0.07	0.13	0.12
Month	0.47	0.05	0.26	0.28	0.58	0.54
Year	6.12	1.03	3.74	4.25	8.25	6.00
Bonds 3-5 year						
Week	0.88	0.76	0.24	0.19	0.58	-0.18
Month	1.49	1.28	0.98	0.94	2.45	-0.08
Year	7.86	5.26	9.57	9.73	16.89	7.31
Bonds 7-10 year						
Week	1.24	1.25	0.53	0.48	1.13	0.24
Month	2.24	2.07	2.03	1.87	4.37	0.59
Year	9.27	9.51	14.01	14.06	25.82	12.48
Equities						
Week	3.6	-2.2	1.8	1.4	0.8	3.3
Month	8.4	1.4	8.7	11.1	11.8	5.8
Year	38.5	-7.2	49.9	41.2	38.4	30.9

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Cinal Index Unit. The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Motorola buoyed by chip division restructure

■ **Motorola**, the US maker of telephone equipment and semiconductors, is expected to report tomorrow a 9 per cent rise in second-quarter earnings per share to 59 cents, on improved margins, following rationalisation of its semi-conductor division.

Analysts said sales of handset and land mobile products appeared to be strong.

The company's decision to stop making D-Ram chips, announced last week, would free resources and allow the company to focus on developing its own Fast Static Ram (FS-Ram) technology, used in cellphones and similar units.

Motorola's failure to win any big contracts from Sprint, the long-distance carrier, led to lumpy revenue growth in the infrastructure sector in the first quarter. However, the division has been helped by some large overseas contracts.

There are still concerns over Motorola's share of the global cellular handsets market in the face of pressure from Nokia and Ericsson.

AFX-News New York

■ **Tomkins**, the acquisitive conglomerate, announces final results today. Analysts expect a rise of about 33 per cent from £323m to £430m ($710m) in pre-tax profits for the year to April 30.

NatWest Securities has pointed out that with little D-Mark exposure and dollar profits locked in at $1.62 until next year, Tomkins is thought to represent a safe haven among manufacturing stocks.

There may also be news of progress at its recent US acquisition, Gates.

■ **General Electric Company** of the UK is expected tomorrow to spell out a radical redirection when reporting figures for the year to March 31.

The electronics group may reopen merger talks with British Aerospace and pursue the acquisition of the defence arms of German group Siemens and Finmeccanica of Italy.

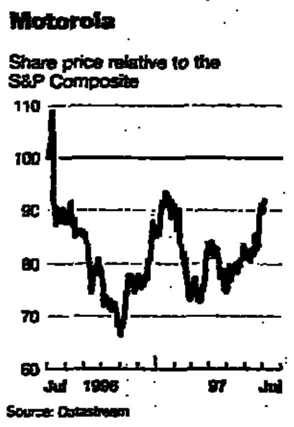
Brokers expect pre-tax profits of about £1.04bn, but these will be cut by at least £160m charges to cover rationalisations.

■ **Eurotunnel** shareholders vote on the restructuring of the company's £9bn debt at an extraordinary meeting in Paris. Their agreement is necessary if the company is to win an extension of its operating concession from 65 years to at least 99.

A steering committee of leading bankers has already agreed to the restructuring, ahead of discussion by the company's full syndicate of 225 banks by year-end.

Motorola

Share price relative to the S&P Composite



Source: Datastream

INTERNATIONAL EQUITIES By Michael Lindemann

ENI surprises with support in US

ENI, the Italian oil and gas group, is big enough to attract a strong following in its home market, in much the same way as Repsol, its Spanish counterpart, recently proved it could.

But what is surprising about ENI's recent share offering – its third in 18 months – is that it has attracted something of a following in the US, a market which would not naturally gravitate to shares in an Italian state-controlled company.

Nonetheless 136m shares – 9.7 per cent of the global offering – were registered with the Securities and Exchange Commission, the New York Stock Exchange authority, marking ENI's debut in the US.

Analysts point out that the stock was helped by what is perceived to be a degree of political stability in Italy; this is a perception that was not quite so apparent during the initial public offering in December 1995, nor during the secondary offering last November.

Moreover, US investors have had a year and a half to observe the stock, and to be impressed by the restructuring efforts of Mr Franco Bernabe, ENI's chief executive.

"It takes time to build up a track record for European ADR's (in the US), especially if we are talking about an Italian company which is still state-controlled," one analyst said.

The question of state control is one which troubles all types of investors, not just those in the US.

They will have noted that Mr Carlo Azeglio Ciampi, Italy's finance minister, went out of his way last week to assure Communist and other allies of Mr Romano Prodi's government that the state retained 51.5 per cent of ENI's shares, and with it control of the company.

Nor is it a concern which is likely to disappear quickly.

ENI's fourth offering – and with it the prospect of a still lower state-owned stake in the company – may be just months away.

However, analysts point out that the Spanish government held only 10 per cent in Repsol when, in May last year, the incoming conservative Partido Popular forced out Mr Oscar Fanjul, Repsol's respected chief executive.

"They [the Italian government] could quite easily change the management if they wanted to," said one analyst.

"If Bernabe was to get booted out that will be taken quite badly by the market."

Just when the next tranche makes it to the market remains unclear.

Last November, the global co-ordinators – the Italian IMI Credit Institute and Credit Suisse First Boston – set a nine month so-called "lock-up" period during which no more shares would be issued.

Within seven and a half months they were back in the market.

This time the lock-up period is for only six months, so the fourth tranche may be just around the corner.

Analysts point out, however, that the market may be tiring of ENI, and that investors are likely to be confronted by shares in Enel, the power generator, and STET, the telecoms group, before they see more ENI stock.

"It would also be nice for ENI not to be distracted by another placement for a while," one oil analyst said.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY JULY 4 1997								THURSDAY JULY 3 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 31/12/96	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 31/12/96	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	241.31	8.8	211.97	173.34	220.03	214.33	15.3	3.59	243.87	214.73	175.05	221.74	215.06	243.87	186.44	198.81
Austria (25)	201.44	6.1	176.95	144.70	183.68	183.56	20.8	1.79	201.25	177.20	144.45	182.99	182.88	201.44	174.70	183.07
Belgium (29)	256.99	12.9	225.74	184.60	234.33	229.35	28.6	2.98	259.25	228.27	186.09	235.73	230.78	259.25	206.70	212.92
Brazil (30)	316.99	67.1	278.46	227.71	289.04	628.71	73.3	1.16	311.60	274.37	223.66	283.33	617.90	318.99	170.26	187.75
Canada (127)	215.36	13.4	189.18	154.70	196.38	214.29	13.7	1.70	215.49	189.74	154.68	195.94	214.33	215.49	154.12	161.96
Denmark (32)	394.40	12.1	346.45	283.31	359.62	358.19	26.9	1.43	390.22	343.59	280.10	354.82	353.43	394.40	303.10	309.01
Finland (26)	294.91	20.1	259.05	211.84	268.90	322.96	36.9	1.70	292.06	257.16	209.64	265.57	319.03	294.91	188.67	194.83
France (84)	235.27	9.9	206.67	169.01	214.53	218.27	25.0	2.40	235.93	207.74	169.35	214.53	218.22	237.50	186.84	198.11
Germany (59)	223.41	17.6	196.25	160.48	203.71	203.71	33.8	1.39	221.02	194.61	158.64	200.97	200.97	223.41	168.70	172.43
Hong Kong (66)	521.11	2.8	457.76	374.33	475.16	518.00	2.9	2.92	532.12	468.53	381.95	483.85	529.01	539.63	407.55	435.26
Indonesia (27)	253.90	11.3	223.03	182.38	231.51	378.72	14.5	1.71	253.09	222.85	181.67	230.13	377.52	253.90	183.62	210.08
Ireland (17)	360.94	9.8	317.06	259.27	329.11	334.80	22.3	2.87	362.35	319.05	260.09	329.48	333.56	362.35	270.08	282.92
Italy (56)	97.74	17.1	85.85	70.21	89.12	124.57	31.4	1.98	97.90	86.20	70.27	89.02	124.53	98.92	73.26	82.74
Japan (485)	136.92	6.1	120.27	98.35	124.84	98.35	3.9	0.80	138.11	121.61	99.14	125.58	99.14	153.87	107.57	153.87
Malaysia (107)	510.10	−15.4	448.09	366.42	465.13	495.96	−15.5	1.38	512.93	451.64	368.18	466.40	497.98	660.85	506.78	560.66
Mexico (27)	1642.62	34.7	1442.92	1179.95	1497.79	14301.20	36.2	1.30	1629.11	1434.44	1169.37	1481.32	14162.23	1642.62	1110.35	1218.96
Netherland (19)	419.16	24.7	368.20	301.09	382.20	377.82	42.3	2.06	416.20	366.47	298.75	378.45	373.98	419.16	279.88	298.45
New Zealand (14)	96.47	5.1	84.74	69.30	87.96	76.60	9.6	3.84	96.00	84.53	68.91	87.29	75.21	98.47	79.04	81.54
Norway (41)	324.69	9.9	285.22	233.23	296.06	322.34	25.8	1.91	323.37	284.73	232.11	294.03	320.13	324.69	246.04	255.65
Philippines (22)	164.73	−19.1	144.71	118.33	150.21	216.73	−18.8	0.96	162.61	143.18	116.72	147.86	213.98	219.41	148.37	219.23
Singapore (42)	391.16	−6.8	343.60	280.98	356.67	258.94	−4.3	1.18	386.34	340.17	277.31	351.29	254.82	448.01	360.08	412.48
South Africa (44)	359.67	12.9	315.95	258.36	327.96	355.92	9.3	2.43	361.72	318.50	259.64	328.90	357.75	370.12	301.49	363.97
Spain (33)	273.14	24.3	239.93	196.20	249.06	306.73	41.6	2.16	274.08	241.31	196.72	249.19	306.73	274.06	171.91	182.67
Sweden (49)	496.43	17.7	436.08	356.60	452.66	567.71	33.1	1.82	492.65	433.78	353.62	447.96	563.72	496.43	334.35	356.11
Switzerland (33)	320.56	34.4	281.59	230.27	292.30	291.45	46.8	1.15	318.68	280.60	228.74	289.77	289.54	320.56	231.69	245.86
Thailand (42)	69.09	−27.9	60.69	49.63	63.00	77.09	−19.1	4.01	68.73	60.52	49.33	62.50	75.89	172.92	47.55	172.92
United Kingdom (213)	318.42	12.4	279.71	228.73	290.34	279.71	14.0	3.59	319.10	280.97	229.05	290.15	280.97	319.10	229.63	237.48
USA (644)	370.81	22.9	325.73	266.36	338.11	370.81	22.9	1.68	370.61	326.50	266.16	337.17	370.81	370.81	254.79	273.52
Americas (826)	339.53	22.9	298.25	243.90	309.59	285.90	23.0	1.85	339.43	298.87	243.64	308.64	285.80	339.53	233.09	249.99
Europe (718)	279.76	16.7	245.75	200.96	255.10	259.28	26.8	2.47	279.28	245.91	200.47	253.95	258.69	279.76	204.71	213.30
Nordic (150)	421.88	16.3	370.59	303.05	384.68	420.01	31.7	1.75	418.51	368.50	300.40	380.54	416.37	421.88	291.45	306.47
Pacific Basin (881)	155.26	4.4	136.38	111.53	141.57	112.98	3.1	1.26	156.70	137.97	112.48	142.48	113.87	166.97	127.18	166.97
Euro-Pacific (1599)	207.23	11.1	182.04	148.86	188.96	168.02	15.6	1.94	207.87	183.03	149.21	189.01	168.39	207.87	173.55	186.16
North America (771)	361.19	22.4	317.28	259.45	329.34	360.36	22.4	1.66	361.20	318.04	259.27	328.43	360.37	361.20	248.65	266.66
Europe Ex. UK (505)	252.47	19.3	221.77	181.36	230.21	241.48	34.7	1.84	251.49	221.43	180.51	228.67	239.98	252.47	185.65	194.86
Pacific Ex. Japan (396)	314.05	−0.4	275.87	225.59	286.36	276.85	1.8	2.70	317.48	279.54	227.88	288.68	279.17	320.65	268.97	288.27
World Ex. US (1827)	211.13	11.9	185.46	151.66	192.51	175.01	16.1	1.92	211.88	186.39	151.94	192.48	175.32	211.68	176.94	187.57
World Ex. UK (2258)	256.56	17.3	225.37	184.30	233.94	226.16	19.6	1.80	256.90	226.20	184.40	233.60	226.29	256.90	199.56	211.82
World Ex. Japan (1986)	325.93	19.1	286.30	234.12	297.19	315.23	22.5	1.99	325.92	286.97	233.94	296.35	315.11	325.93	233.10	247.23
The World Index (2471)	261.89	16.8	230.05	188.12	238.80	231.23	19.1	1.80	262.25	230.92	188.24	238.46	231.45	262.25	202.32	214.12

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.66 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.33 (Pound Sterling) and 184.40 (Local). CONSTITUENT CHANGES DURING THE WEEK ENDING 4/7/97: Deletions: Cascade Communications (USA), Fisx USA (USA), Great Western Financial (USA), Suez (Compagnie) (France) and UCB (AFV1) (Belgium). Name changes: Duke Power to Duke Energy Corp (USA), Finning Ltd to Finning International (Canada), Lyonnaise des Eaux to Suez-Lyonnaise des Eaux (France) and Philip Environmental to Philip Services (Canada). Share weighting change: ENI (43.31% to 46.63% weighting) (Italy). Market closed 4/7/97: USA.

STE (Securities Board of The Netherlands)

Pursuant to article 7 of the Major Holdings in Listed Companies Disclosure Act 1996 (Wmz 1996) the STE discloses the following notification(s):

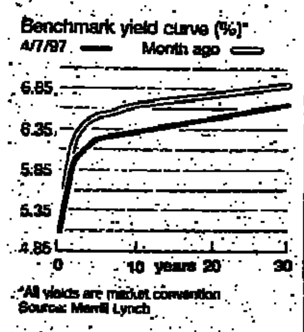
Commercial Union Assurance Plc, St. Helen's 1, Undershaft, London (Registered office: London), England in Vendex International N.V.

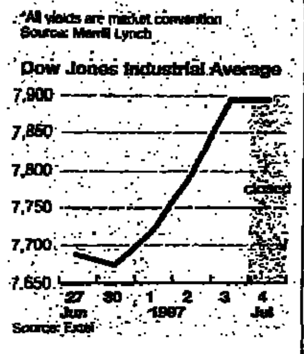
Total capital interest	:	8,66%	Total voting rights	:	-
A direct actual	:	-	B direct actual	:	-
C direct potential	:	-	D direct potential	:	-
E indirect actual	:	8,66%	F indirect actual	:	-
G indirect potential	:	-	H indirect potential	:	-

Date on which the notification duty arose: 9th June 1997

MARKETS: This Week

NEW YORK By Richard Waters





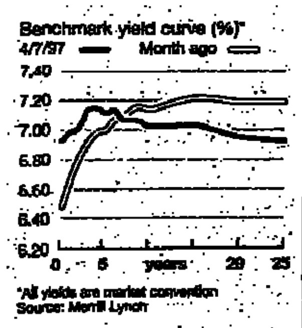
Friday's surge in US bond and equity prices put the Dow Jones Industrial Average within sight of 8,000 and left the yield on the long bond closer to 6.5 per cent than at any time in the past five months. With every chance that the economic and corporate news due over coming weeks will continue to be good, and new cash flooding into the markets, those twin hurdles look more vulnerable than ever.

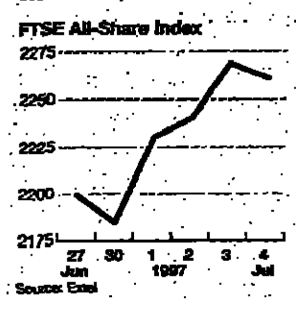
Friday's employment report for June helped validate the Federal Reserve's decision earlier in the week to leave interest rates unchanged, and suggested that it may yet be able to leave monetary policy on hold throughout the summer. News in the coming days on inflation, which is expected to show little sign of prices picking up, would reinforce that and help support the rally.

This Friday's release of producer price data is expected to show that the core index, excluding food and energy, was up only 0.1 per cent in June, with the overall index flat. This follows declines in April and May. With a quiet week otherwise for new economic data (consumer credit and the Johnson Redbook will both come out on Tuesday), the focus will be on next week's busier calendar, and on Mr Alan Greenspan's half-yearly Humphrey Hawkins testimony to the House of Representatives on July 22.

This week will also see the first trickle of companies reporting second-quarter earnings. The earnings season is expected to be highly supportive for stock prices, though with concern about a profits slowdown later in the year, attention is already beginning to shift to the second half.

LONDON By Steve Thompson





Marketmakers and fund managers in London, hoping for a more sedate performance from the equity market after the pre- and post-Budget surges of last week, might well be in for more of the same this week.

The 3.7 per cent upsurge in the FTSE 100 last week was partly a result of some heavy Budget-inspired covering in the derivatives markets after the tax changes hitting marketmakers' privileges on dividend tax exemption.

But there was also evidence that many fund managers had responded positively to the chancellor's decision to cut corporation tax to 31 per cent, a move which took a market already softened up to receive the ACT shift by surprise.

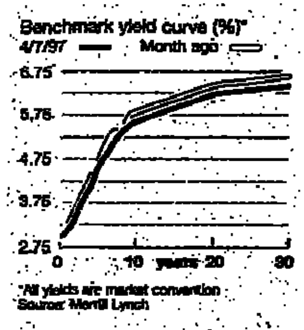
Initial reactions to the Budget by equity market strategists were mostly on the bearish tack. UBS said "With equities still good value against bonds and extremely good value internationally, the ACT and corporation tax issues resolved and sterling stable, investors appear to be running out of excuses not to buy the UK market."

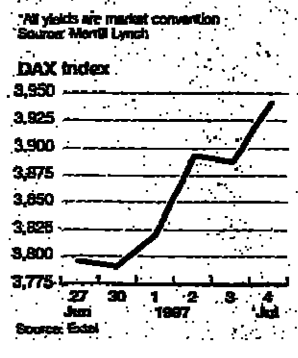
There remain, however, concerns in the market about the recent upward performance of sterling.

Fund managers have to worry that a probable rise in UK interest rates after Thursday's meeting of the Monetary Policy Committee will trigger more upside pressure on sterling, damaging the profits of the big exporting companies.

Economic news this week includes industrial production and manufacturing output data for May and inflation news for June. On the company news front, GEC reports preliminary numbers on Tuesday.

FRANKFURT By Andrew Fisher





Investors will be holding their breath this week to see if Germany's Dax index of blue chips breaks through the 4,000 barrier. It is now tantalisingly close to this psychologically important level, having edged up 7 points on Friday in late electronic trading to reach 3,946.73.

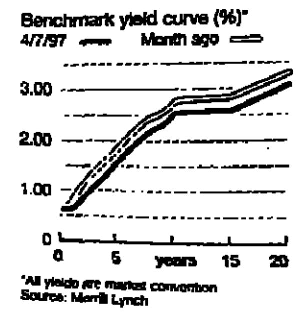
While some experts caution that a period of consolidation is in the offing, the mood is generally confident. Domestic interest rates are expected to remain low for some time and the strength of the dollar against the D-Mark is helping exports. The continued restructuring of German industry has given stocks a steady impulse this year, with Munich Re's move to concentrate its direct insurance interests in a new company taking this process further.

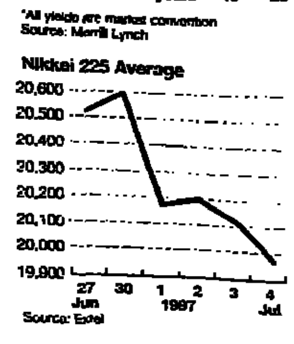
This has heightened expectations of further such developments, especially in the banking sector, where shares have risen sharply over the past year.

On the new issue scene, the start of dealings today in Pro Sieben, the television broadcaster, will add more excitement to the market. The share price was set at DM72 over the weekend – at the top of the bookbuilding range – but dealings in the grey market have already gone above DM100. The offer was heavily oversubscribed.

The main economic indicator this week is June unemployment, which will be closely watched in view of the record levels reached earlier this year. On Thursday, the Bundesbank council meets in Bavaria – once a year it goes outside Frankfurt – and the ensuing press conference will give it a chance to comment on the economy and how it views prospects for the euro.

TOKYO By Gwen Robinson





Just as the bulls seemed to be returning to Japanese equities, the Tokyo stock market reversed course in a dismal slide last week that saw the Nikkei 225 average close below the 20,000 level on Friday for the first time since late May.

The downturn is likely to be short-lived, however, on factors including a decline in foreign buying in the summer period and the sudden boom in the Thai stock market, which attracted funds from some large Asian equity portfolios following last week's float of the baht.

The abrupt tailspin of financial issues also weighed on the market, after fresh allegations netted three other leading Japanese brokers in the web of financial scandal ensnaring Nomura Securities and Dai-Ichi Kangyo Bank.

The decline in Tokyo stocks benefited Japanese government bonds, which surged in spite of earlier predictions they were entering a bear phase. Yields on key long-term JGBs briefly sank to 2.25 per cent on Friday, the lowest level since April, as some large institutional investors switched from equities.

Comments by senior finance officials assured the market that interest rates would remain unchanged for the time being. Mr William Campbell of J.P. Morgan Securities said: "In the US, the Fed is sitting on steaming growth, but is holding a rate hike in the absence of inflation fears. But in Japan, economists can't even agree on whether there is recovery, and inflation concerns are nowhere to be found. We expect the Bank of Japan will keep short rates on hold and that the benchmark JGB will test 2 per cent."

COMMODITIES By Robert Corzine

Iraq oil deal unnerves traders

Oil traders will be seeking more clues this week about when Iraq will resume oil exports under the United Nations oil-for-food programme.

The news at the end of last week that Iraqi and UN negotiators in Baghdad had reached agreement on a new plan sent oil prices tumbling. On Friday, the bellwether Brent Blend for August delivery ended the day at $18.06, 15 cents down, after recording a 71 cent fall on Thursday.

Iraq had demanded a revised aid distribution plan because of the slow speed at which food, medicines and other humanitarian supplies were received in the first six months of the programme.

The resulting interruption in the flow of Iraqi exports bolstered world oil prices. It also caused some analysts to speculate whether President Saddam Hussein, never seen as a particularly strong supporter of the scheme, might pull out altogether.

A second six-month programme, under which Iraq is allowed to export $2bn of oil, formally began on June 8. But no oil will be exported until the aid issue is resolved. The draft agreement is expected to be presented to Mr Kofi Annan, the UN secretary general this week. Approval is required before a new oil price formula can be agreed and sales contracts signed.

The fact that first exports are not expected until early August should help underpin prices in the near term, say traders. But some worry that a resumption of Iraqi exports will coincide with growing supplies from elsewhere.

The Iraqi oil could also come at a time when there is no clear driving force behind the oil price. Seasonal gasoline demand in the US, the largest oil market, usually eases after the Independence Day holiday. Refineries then turn their attention to producing middle distillates, such as heating oil, for winter consumption. But the latest US industry inventory statistics suggest that stocks of middle distillates are healthy for this time of year.

OTHER MARKETS Compiled by Jeffrey Brown

Leading European bourses face a week of low corporate news-flow at all-time highs.

PARIS

French equities shrugged aside company tax scares and the onset of the holiday season last week to punch through 2,900 on the leading CAC 40 index and spark talk among brokers of 3,000 before the middle of the month.

Trading volume, driven by dividend flows and the impending maturity of the so-called Balladur privatisation bonds, remains impressive and sentiment upbeat. For the moment the balance of play between staying for the ride and taking profits probably lies with the former.

The market's determination to go higher was visibly reflected last week when worries about a rise for corporate tax proved short-lived. The finance ministry helped defuse the situation, suggesting that any government assault on the French budget deficit would be shared equally between the consumer and business.

But most analysts have now pencilled in some sort of tax move in the corporate sector, possibly changes to allowances rather than an outright hike, and earnings projections for 1998 may be downgraded as a result.

After last week's news from Axa-UAP, which is consolidating its life assurance operations, and from Générale des Eaux, where FFr11bn ($1.86bn) of hospital and healthcare disposals are planned, French restructuring continues apace.

Brokers continue to caution about volatility. Slightly lower on Friday, the CAC 40 was still well up on the week to extend its rally this year to close on 40 per cent. The 1997 p/e of 21 puts Paris in touch with the European leaders.

ZURICH

Swiss equities, strong performers during 1996, have continued to defy the laws of gravity this year. A seemingly unstoppable rally has taken Zurich up 48 per cent since January. The advance, closely tied to a revival of the dollar against the Swiss franc, could have further to go, assuming the US currency remains buoyant.

A note from Bank Sal Oppenheim in Zurich says that a typical Swiss industrial company with a 50 per cent sales weighting in the dollar and dollar-related currencies will see an 11-13 per cent boost to its sales figures, expressed in Swiss francs, for the first half of the year. And so, says Mr Frederick Hasslauer at the bank, a company like Nestlé, which usually achieves sales growth in foreign currency terms of some 5-6 per cent, will report a rise in first half sales of 16-19 per cent.

The big pharmaceuticals groups will also be beneficiaries. All of which bodes well for the half-year reporting season, which gets under way in the coming fortnight.

HONG KONG

Concerns over the property sector are expected to drag share prices in Hong Kong lower this week, while a reallocation of assets to other parts of Asia – including Thailand following the effective devaluation of the Thai baht – also stands to drain sentiment.

The market, which opened for only two days last week because of public holidays to mark China's resumption of sovereignty, fell sharply on Friday. The Hang Seng index ended 1.6 per cent lower at 14,822.97 while the index tracking redchips – the mainland-backed companies which have been at the forefront of recent rallies – also fell.

The new government, which has vowed to act on spiralling property prices in a bid to make homes more affordable, has pledged to increase land supply. This consequential run on property stocks has wide implications, since many Hong Kong companies have exposure to real estate.

CURRENCIES By Richard Adams

Further tightening seen by Bank of England

With the Federal Reserve deciding to keep US interest rates on hold, attention this week will turn to the Bank of England's Monetary Policy Committee.

Against a background of buoyant consumer spending and an ever-higher pound, the MPC meets on Wednesday and Thursday, with most analysts expecting a rise of 25-50 basis points when the committee's decision is announced on the second day.

Economists at Deutsche Morgan Grenfell commented: "With the Budget having failed to dent personal sector incomes, the Bank is expected to tighten by 25 basis points on Thursday. This will underpin sterling in the near-term, with DM3 looking distinctly likely."

Mr Gordon Brown, the chancellor, signalled his displeasure with sterling's high level last week, to no effect, despite the overall fiscal tightening in his Budget.

The UK's retail price index for June is expected to rise slightly, year-on-year. But the annual underlying rate, excluding mortgage interest payments, is likely to undershoot the previous government's 2.5 per cent target.

In Germany, there may be a small fall in tomorrow's unemployment figures, while retail sales could also decline again. That may herald a further round of D-Mark weakness by Thursday, when the Bundesbank council meets, although no change in interest rates is expected.

The Japanese yen could continue its recovery against the US dollar on Thursday, when the May current account and trade account figures are released. Rising exports and slower import growth could see a widening in the trade surplus and fresh nervousness in the US.

In the US, producer price data for June may show a reverse from the five consecutive monthly declines. Higher food and petrol prices may push the overall PPI higher, but "core" prices, excluding food and energy, should remain dormant.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Cinven (UK)	Units of Cie Générale des Eaux (France)	Healthcare	$1.85bn	European MBO record in 90s
Amersham Intl (UK)/ Nycomed (Norway)	Nycomed Amersham	Medical diagnostics	$1.76bn	Completes long courtship
Zurich (Switzerland)	Scudder, Stevens & Clark (US)	Financial services	$1.67bn	Entering US top 10
Cable & Wireless (UK)	Optus Communications (Australia)	Telecoms	$747m	Completes control
BAA (UK)	Duty Free International (US)	Retailing	$674m	Creates world No 2
Veba (Germany)	Wyle Electronics (US)	Electronic components	$632m	Furthers global ambitions
Anheuser-Busch (US)	Grupo Modelo (Mexico)	Beer	$550m	Stake now 50.2%
NEC (Japan)	Packard-Bell NEC (US)	Computers	$285m	Investment passes $1bn
Bunzl (UK)	AFC (US)	Plastics	$178m	Strategic buy
Union Miniere (Belgium)	MDK (Bulgaria)	Metal refining	$80m	Privatisation deal

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, July 4, 1997. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	8016.50	4750.00	2708.25	4179.87
Albania	(Lek)	295.348	175.000	99.7776	153.995
Algeria	(Dinar)	99.0008	58.6600	33.4455	51.6192
Andorra	(French Fr)	9.9816	5.9143	3.3722	5.2044
[illegible]					
Faroe Is	(Danish Krone)	[illegible]	[illegible]	[illegible]	[illegible]
Fiji Is	(Fiji $)	2.3855	1.4135	0.8060	1.2438
Finland	(Markka)	8.8079	5.2183	2.9753	4.5919
France	(Fr)	9.9815	5.9143	3.3722	5.2044
Fr. Cty/Africa	(CFA Fr)	998.150	591.430	337.215	520.437
Fr. Guiana	(Local Fr)	9.9815	5.9143	3.3722	5.2044
Fr. Pacific Is	(CFP Fr)	181.091	107.294	61.1746	94.4156
Gabon	(CFA Fr)	998.150	591.430	337.215	520.437
Gambia	(Dalasi)	16.5564	9.8100	5.6033	8.6325
Germany	(D-Mark)	2.9600	1.7539	1	1.5433
Ghana	(Cedi)	3577.93	2120.00	1208.77	1865.54

		£ STG	US $	D-MARK	YEN (X 100)
Gibraltar	(Gib £)	1	0.5925	0.3378	0.5214
Greece	(Drachma)	465.459	[illegible]	[illegible]	242.690
Greenland	(Danish Krone)	11.2696	6.6775	[illegible]	5.8750
Grenada	(E Carib $)	4.5568	2.7000	1.5394	2.3759
[illegible]					
Nepal	(Nepalese Rupee)	96.1146	56.9525	32.4706	[illegible]
Netherlands	(Guilder)	3.3314	1.9739	1.1255	1.7377
N'nd Antilles	(A/Guilder)	3.0210	1.7900	1.0208	1.5753
New Zealand	(NZ $)	2.4909	1.4756	0.8415	1.2982
Nicaragua	(Gold Cordoba)	15.9459	9.4482	5.3875	8.3145
Niger Rep	(CFA Fr)	998.150	591.430	337.215	520.437
Nigeria	(Naira)	36.9370o	21.8862	12.4786	19.2597
	(Naira)	143.370m	84.9500	48.4363	74.7528
Norway	(Nor Krone)	12.3442	7.3142	4.1704	6.4362
Oman	(Rial Omani)	0.6499	0.3851	0.2195	0.3388

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee) (2)	68.2160	40.4195	23.0482	35.5680
Panama	(Balboa)	1.6877	1	0.5702	0.8800
Papua New Guinea	(Kina)	2.3441	1.3889	0.7919	1.2222
Paraguay	(Guarani)	3643.75	2159.00	1230.97	1899.86
[illegible]					
Western Samoa	(Tala)	4.3364	2.5694	1.4650	2.2610
Yemen Rep of	(Rial)	219.401r	130.000	74.1205	114.396
Yugoslavia	(New Dinar)	9.6341	5.7084	3.2547	5.0232
Zambia	(Kwacha)	2227.77	1320.00	752.630	1161.56
Zimbabwe	($)	19.2440	11.4025	6.5014	10.0339
ECU	(ECU)	1.5035	0.8908	0.5079	0.7839
SDR	(SDR)	1.20650	0.720513	0.410989	0.629433

Abbreviations: (a) Free rate. (m) Market rate. (o) Official rate; (r) Parallel rate (t) Tourist rate (u) Currency fixed against the US Dollar (v) Floating rate (1) Market rate now shown for Cuba (2) Pakistan Rupee devalued by 7.86pc against US dollar 22/10/96 (3) Name changed from Zaire on Mon. 19th 1997, currency scheduled to change to Congolese Francs; FT enquiries to Business Research Centre 0171 256 5100. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 0171 634 4365

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Friday, July 4, 1997

MARKETS: This Week

EMERGING MARKETS By Kevin Done

Romania shakes off its shackles

The bulls are on the rampage in Bucharest, as Romania becomes the latest hot market in central and eastern Europe.

It is volatile, unpredictable and often illiquid, but in recent weeks it has been making spectacular gains, as a growing number of east European emerging market funds seek to join the fray by following the path pioneered by the more adventurous hedge funds in the early months of the year.

The green light has been flashed by a new foreign investment law, which for the first time has regularised the position of foreign investors and allows the free repatriation of principal, capital gains and dividends.

The law imposes a transaction tax or stamp duty of up to 1.5 per cent on initial investments in the market – the actual level will be fixed shortly – but the government has abandoned its earlier idea of introducing a capital gains tax.

The overall market – including the Bucharest stock exchange and the Rasdaq over-the-counter market – has jumped 153 per cent in US dollar terms in the three months since the beginning of April and by 50 per cent in the past month alone, according to an index compiled by Vanguard Securities, a local Bucharest broker. As yet there is no official Bucharest stock exchange index, but one is under urgent preparation.

An index compiled by Creditanstalt shows that the Bucharest bourse jumped 33 per cent in dollar terms last week and has risen by 298 per cent since the start of the year, while the Rasdaq over-the-counter market index has quintupled since the beginning of January.

The main bourse with 48 listed stocks now has a market capitalisation of $780m with the top 50 stocks on Rasdaq capitalised at $1.6bn.

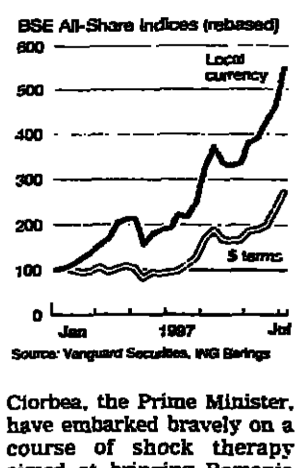
Romania is moving fast to make up for the opportunities lost in the years of stagnation that followed the overthrow of the Ceausescu regime at the end of 1989.

The market languished for much of last year amid the political uncertainty that pervaded Romania ahead of last November's presidential and general election. But the way was opened for this year's surging bull market by the victory of the centre-right parties led by the Democratic Convention which ousted the forces of the former communists.

President Emil Constantinescu and the coalition government led by Mr Victor Ciorbea, the Prime Minister, have embarked bravely on a course of shock therapy aimed at bringing Romania belatedly into the group of fast-track reform countries of central Europe.

Romania

BSE All-Share indices (rebased)



Source: Vanguard Securities, ING Barings

The traditional problems of emerging markets still abound with lack of transparency, inadequate disclosure and insider trading. But undaunted, investors are rushing in. The hotels in Bucharest are full, the international brokers are flying in fund managers for introductory tours, and the fledgling markets are setting new records week by week.

A recent estimate by Creditanstalt Investment Bank of Austria suggests that funds ready to be invested in Romania by foreign portfolio investors will soon exceed $1bn.

In the early part of the year trading volumes on the Bucharest stock exchange were below $300,000 a week, but they have recently climbed to as much as $10m a week and the bourse, currently housed in one of the old banking halls of the central bank, is now trading five days a week.

In the last week of June the bourse trading volume of $10m was more than matched by a volume of $14.7m on the Rasdaq OTC market, where listing requirements are much less demanding.

"Everyone is talking about Russia, but it will be surpassed by Romania this year," says Mr Mark Holdsworth, equities analyst at ING Barings. "You can feel the wall of money that is going to hit Romania as these large foreign funds put their money in."

According to Daiwa Europe, the Bucharest stock exchange has been the best performer this year in dollar terms of any of the global markets it tracks, "pipping even star performer Russia to the post". Although prices have been rising, Daiwa says that "in general, valuations still remain low".

As the second most populous country in central Europe after Poland, Romania is leading many analysts to draw flattering comparisons between Bucharest today, in the dynamic early stages of reform, and Warsaw in the early 1990s.

Warning lessons can also be drawn, however. After stagnating for two years the Warsaw market took off in March 1993 with the WIG index climbing from 1,100 to an all-time peak of 20,760 in only 12 months. In the following year it collapsed to a low of 5,922 in March 1995.

In Romania the roller-coaster ride is only just beginning. "It is a certain prediction that the market will over-reach itself," says Mr Holdsworth, "but it is a question of when, and of how far it will go. This is the year of Romania, and it has a long way to go yet."

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	4/7/97	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (449)	195.27	+4.85	+2.55	+13.38	+7.36	+35.15	+21.96
Latin America							
Argentina (22)	133.65	+1.18	+0.89	+2.55	+1.94	+26.52	+24.75
Brazil (23)	429.80	+7.00	+1.66	+62.76	+17.10	+168.77	+64.66
Chile (19)	226.56	+6.97	+3.18	+9.69	+4.42	+64.11	+39.46
Colombia (12)	239.56	+1.99	+0.84	−5.19	−2.12	+65.87	+37.92
Mexico (28)	108.59	+2.33	+2.19	+10.40	+10.59	+26.91	+32.95
Peru (12)	1,367.85	-25.52	-1.83	-39.14	-2.78	+360.43	+35.78
Venezuela (7)	92.85	+4.60	+5.21	+17.76	+23.68	+30.68	+49.33
Latin America (123)	210.12	+3.63	+1.76	+20.87	+11.03	+66.62	+46.43
Europe							
Czech Rep.(13)	82.79	+3.27	+4.11	+1.93	+2.39	−21.49	−20.61
Greece (18)	168.03	−0.83	−0.49	−20.85	−11.04	+55.73	+49.62
Poland (25)	306.31	+5.21	+1.73	−17.81	−5.50	−37.44	−10.89
Portugal (19)	200.85	+5.59	+2.67	+20.06	+11.10	+54.67	+37.40
South Africa (28)	146.80	-0.85	-0.57	+0.24	+0.16	+16.91	+13.02
Turkey (26)	184.83	+3.14	+1.73	+11.99	+6.93	+59.79	+47.81
Europe (129)	143.71	+4.03	+2.89	+4.92	+3.55	+25.38	+21.44
Asia							
China (27)	66.66	-0.67	-1.00	+0.63	+0.96	+10.18	+18.02
Indonesia (30)	170.40	+5.40	+3.28	+9.91	+6.18	+13.87	+6.93
Korea (23)	98.45	+7.23	+7.92	+5.75	+6.20	+17.24	+21.23
Malaysia (24)	232.15	+2.57	+1.12	-8.87	−3.68	−48.27	−17.21
Pakistan (13)	78.11	+5.82	+8.06	+11.92	+18.00	+19.65	+33.62
Philippines (18)	268.45	−4.53	−1.66	+0.16	+0.06	−45.34	−14.45
Taiwan (31)	231.55	+5.75	+2.55	+26.96	+13.19	+46.11	+24.87
Thailand (29)	112.88	+15.19	+15.55	+4.51	+4.26	−42.28	−27.25
Asia (193)	220.41	+7.03	+3.29	+10.54	+5.02	+2.84	+1.30

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Samer Iskandar

Dollar issues find favour in strong first half

International bond issuance grew by almost 20 per cent in the first half, raising hopes that 1997 would beat last year's record issuance of $592bn. International borrowers raised $401bn in the past six months, up from $353.5bn in the same period last year, according to Capital Data, the financial information provider.

The dollar increased its share of the international market, to the detriment of the main European currencies.

Dollar-denominated bonds accounted for more than half (53 per cent) of total issuance for the first time this decade. This was up from 47 per cent last year, 40 per cent in 1995 and 33 per cent in 1993. In June, the dollar's share peaked at more than 69 per cent, while issuance in Ecu ground to a halt.

Analysts attributed this trend to doubts about the feasibility of European monetary union (Emu), in the wake of recent political tensions between Germany and the newly-elected socialist government in France.

"I am less convinced than I was a few months ago that Emu will go ahead on time," said an economist at a US bank in London. "It is very disturbing to see Germany insisting on a strict interpretation of the Maastricht criteria, while France seems less and less inclined to meet them."

Issuance in French francs fell below the $2bn level in May, from more than $4.5bn in February. The D-Mark also suffered, with issuance falling to less than $4bn, from more than $8bn, over the same period.

Borrowing by governments continued to decline. Sovereign issues accounted for just 10 per cent of new bonds, down from 11 per cent last year and 15 per cent in 1994.

"The increase in private sector borrowing and decline in sovereign borrowing can be associated with continuing economic growth, as corporations fund their expansion and governments' tax receipts rise," said a syndicate manager at Deutsche Morgan Grenfell. "Economic convergence [in the run-up to Emu] is also responsible for the decline in European sovereign borrowing" as governments strive to reduce their fiscal deficits and indebtedness.

Emerging markets borrowers, however, filled the supply gap, their borrowings rising to 11 per cent of total issuance, from 10 per cent in 1996 and a low of 5 per cent in 1994.

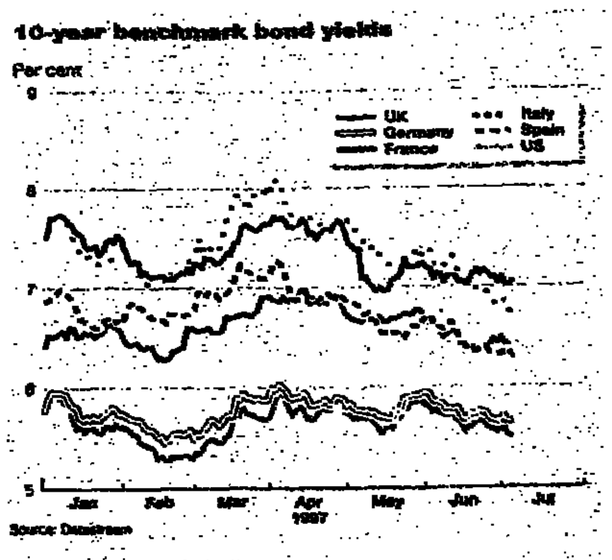
"Emerging market growth is outpacing the general market, indicating a willingness to diversify credit risk for incremental returns," DMG said.

Analysts also pointed out that issuance of global bonds had contracted by 4 per cent. One banker said this showed that "jumbo issues have not proved as cost effective as issues specifically targeted at identified demand".

Merrill Lynch retained its lead as the most active underwriter, its market share increasing to 7.8 per cent, from 6.8 per cent in the first half of last year. Morgan Stanley, meanwhile, slipped from second place to seventh, while ABN Amro Hoare Govett joined the top 10 in eighth position, up from 11th. Credit Suisse First Boston and Salomon Brothers remained unchanged, in fifth and 10th position respectively.

J.P. Morgan jumped from eighth to fourth, overtaking Lehman Brothers and Deutsche Morgan Grenfell, which nonetheless managed a one-notch rise to sixth.

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	3.10[1]	6.75	6.50[2]
Overnight	n/a	n/a	3.00	3.16	7.00	n/a
Three month	5.15	0.48	3.07	3.23	6.73	6.93
One year	5.56	0.60	3.20	3.37	6.35	6.98
Five year	6.20	1.55	4.42	4.50	6.05	7.11
Ten year	6.31	2.50	5.60	5.48	6.62	7.01

(1) France-intervention rate (2) UK-Base rate. Source: Reuters.

INTERNATIONAL BOND ISSUES BY CURRENCY

1997* Rank	Currency	Total raised ($bn)	No. of issues	1996* Rank	Total raised ($bn)	No. of issues
1	US$	192.06	839	1	140.72	653
2	D-Mark	50.36	225	2	62.69	222
3	Sterling	41.42	166	5	25.48	120
4	FFr	23.03	79	4	26.68	62
5	Yen	19.19	324	3	28.01	571
6	Lire	17.60	96	7	11.85	63
7	SFr	12.07	127	6	14.78	171
8	Guilder	9.41	52	8	11.52	52
9	Ecu	5.45	22	13	1.93	14
10	Pesetas	4.96	148	10	5.41	46

*First half. Source: Capital Data Bondware

TOP INTERNATIONAL BOND LEAD MANAGERS

Manager	First half of 1997 $bn	Rank	%	Issues	First half of 1996 $bn	Rank	%	Issues
Merrill Lynch	31.22	1	7.79	176	24.15	1	6.83	140
Goldman Sachs	24.60	2	6.14	72	18.22	3	5.15	59
SBC Warburg	23.96	3	5.98	112	17.47	4	4.94	108
JP Morgan	23.89	4	5.96	115	14.65	8	4.15	95
CSFB	20.82	5	5.19	112	16.57	5	4.69	85
Deutsche MG	19.45	6	4.85	161	15.14	7	4.28	76
Morgan Stanley	17.81	7	4.44	187	21.29	2	6.02	128
ABN Amro HG	14.90	8	3.72	88	11.57	11	3.27	69
Lehman Brothers	14.77	9	3.68	64	15.75	6	4.45	83
Salomon Brothers	14.22	10	3.55	67	12.31	10	3.48	59
Industry totals	401.0		100.0	2460	353.5		100.0	2275

Full credit to book runner. Source: Capital Data Bondware

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
EE Global(k)ф	172.25	Jul 2007	3.875	100.00	-	-	Yamaichi Intl(Europe)
Bayerische Landesbank	250	Jul 2000	5.125	96.673R	6.391	+36½(May00)	Commerzbank, London
Bayerische Hypo(s)	250	Dec 1999	6.25	99.89R	6.32	+20(6%Jun99)	Nomura/UBS
Banco Mello, Tranche A(a)‡	75	undated	(a1)	100.00	-	-	Salomon Brothers Intl
Banco Dibens(b)‡	50	Jul 2005	(b)‡	99.66R	10.05	+380(6⅞%-00)	Crdt Agricole Indosuez
Bancaja Intl Capital(c)‡	250	Jul 2007	(c1)	99.57R	-	-	Merrill Lynch Intl
Gradiente Electronica(d)	135	Jul 2005	9.625#	99.25R	9.615	+325(6¼%-02)	CSFB
Marvel International(e)ф	86.5	Jul 2000	3.00	100.00			Daiwa Europe
Christiania Bank‡	250	Jul 2009	(d)	99.983R	-	-	Lehman Brothers Intl
Canada★	450	Jan 2001	5.50#	92.865	5.863	-	Yamaichi Intl(Europe)
Compagnie Bancaire‡	300	Jul 1998	(A)	100.023	-	-	BZW
Asset Backed Capital‡	100	Jul 1998	(F)	100.106	-	-	Lehman Brothers Intl
Finnish Export Credit★	99	Jul 2001	6.00#	100.00	6.000	-	IBJ Intl/New Japan
Shin-Etsu Handotai America★	50	Jul 2002	6.975#	99.79	6.926	-	DKB International
SBC, Jersey Branch(i)$	100	Jul 2001	1.75	92.00	-	-	SBC Warburg
D-MARKS							
Rabobank Nederland	350	Jul 2001	4.25	[illegible]	4.268	+10(5%May01)	Rabobank International
Turkiye Emlak Bankasi	150	Jul 2002	6.50	99.06R	8.735	+428(4½%-02)	Commerz/UBS Germany
Hellenic Republic‡	100	Jul 2002	(c)	99.91	-	-	Nomura Bank(Deutschland)
Hellenic Republic‡	100	Jul 2002	(e)	100.00R	-	-	Goldman Sachs Ffrt
Compagnie Bancaire‡	500	Jul 2004	(g)	99.98R	-	-	Deutsche Morgan G'fell
Merrill Lynch & Co	400	Jul 2009	6.25	99.50R	6.352	+56(6%Jul07)	Merrill Lynch Cap Mkts
Republic of Croatia	300	Jul 2004	6.125	95.594R	6.200	+95(6¼Jul04)	CSFB/Deutsche MG
United Mexican States	750	Jul 2003	8.00	100.00R	8.000	+230(6Jul07)	Deutsche Morgan G'fell
Republic of Italy	3bn	Jul 2007	5.75	99.456R	5.823	+18(6%Jul07)	Deutsche/SBC Warburg
Goldman Sachs Group	400	Jul 2009	6.25	99.52R	6.327	+70(6%Jul07)	Goldman Sachs Ffrt
YEN							
African Dev'ment Bank(E)★	10bn	Jul 2007	3.1925	100.35	-	-	Yamaichi Intl(Europe)
FRENCH FRANCS							
Modinest(e)‡	308	Jul 2002	(e1)	100.00R	-	-	[illegible]/C Lyonnais
SWISS FRANCS							
Deutsche Finance Neths	500	Aug 2005	3.25	101.60	3.022	-	Deutsche Morgan G'fell
LB Rheinland-Pfalz(v)	150	Dec 2002	2.00	98.15	-	-	UBS
Holderbank Capital Corp	200	Aug 2007	3.75	103.00	3.391	-	CSFB
Abbey National Trsy Services	200	Aug 2001	2.00	99.95	2.013	-	Deutsche Morgan G'fell
GUILDERS							
GECC(s)	200	Jul 2002	4.625	99.987R	4.63	[illegible](6¼%-02)	ABN Amro Hoare Govett
Kredietbank Intl Finance(t)	200	undated	6.25	99.86R	6.289	+69(5¼Feb07)	Kredietbank/Rabobank
Bayerische Vereinsbank	300	Jul 2009	6.125	99.998R	6.125	+42(j)	ABN Amro Hoare Govett
AUSTRALIAN DOLLARS							
National Australia Bank(j)	100	Jul 2004	7.00	101.495	6.725	-	Hambros Bank
LUXEMBOURG FRANCS							
Banque Générale du Lux(l)	2bn	Dec 2005	5.75	102.70	5.33	-	BGL

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
ITALIAN LIRE							
World Bank	1000bn	Jul 2007	6.50	99.251R	6.605	-	JP Morgan Securities
European Inv'bank Bank(l)	250bn	Feb 2007	(f1,s)	99.135R	6.55	-	BNL/Credito/Paribas
CIR International(g)‡	280bn	Jul 2002	(g1)	100.00R	-	-	BCI
Baden Wurt'berg L-Fin(w)	500bn	Mar 2004	(w1,s)	99.425R	-	-	JP Morgan Securities
KfW International Finance	300bn	Aug 2007	6.625	99.75R	6.680	-	Credito Italiano
GECC	300bn	Jul 2002	6.125	101.655	5.735	-	BCI
Federative Rep of Brazil(o)	250bn	Jun 2017	11.00	100.375R	10.95	-	Deutsche Morgan G'fell
Lehman Brothers Hldgs(y)‡	175bn	Aug 2002	7.30	101.675	-	-	BCI/Cariplo
ECUS							
Credit Local de France(r,8)	100	Dec 2002	5.25	101.85	4.94	-	SG
PESETAS							
Deutsche Ausgleichsbank	10bn	Jul 2007	6.20	101.345	6.017	-	BCH/BSN
Norddeutsche LB(C)	10bn	Jul 2007	(C1)	101.50	-	-	Deutsche Morgan G'fell
CANADIAN DOLLARS							
KfW Intl Finance(h,s)	100	Dec 2002	5.375	98.231R	5.77	+14½(7Sep01)	Deutsche/Hambros
GECC(s)	100	Dec 2002	5.625	99.60R	5.72	+18(7%Sep01)	Toronto Dominion Bank
DANISH KRONER							
DSL Finance	400	Dec 2004	[illegible]	101.735	5.51	-	Generale Bank
World Bank(l)	400	Dec 2004	5.75	101.929	5.413	-	ABN Amro/BSL
NEW ZEALAND DOLLARS							
WestLB Finance Curaçao	100	Aug 2000	6.50	100.20	6.425	-	Hambros Bank
ESCUDOS							
Fed Home Loan Mtg Crp(z)‡	10bn	Jul 2007	(z1)	100.00	-	-	Banco Cisf
SWEDISH KRONOR							
Nordic Investment Bank	500	Aug 2003	6.00	101.375	5.723	-	Svenska HB

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. $Convertible. ‡Floating-rate note. фWith equity warrants. ★Unlisted. #Semi-annual coupon and yield. R: fixed re-offer price. a) Callable from Jun 02 at par. a1) 3-mth Libor +150bp to Jun 02, then +300bp. a2) Tranche B: $25m, 8¾%pa to 30/6/02 then 3-mth Libor +300bp, callable from Jun 02, 99.575%. b) Callable & puttable on 2/7/00 at 99.71%. b1) 10% to 2/7/00, then 10¾%. c) 6-mth Libor +20bp. d) 6-mth Libor +20bp. e) Callable in Jul 00 at 103½% and Jul 01 at 101¼%. e1) 3-mth Pibor +210bp. f) L1,250bn launched last week was increased to L1,500bn. f1) 9% to 15/2/99, then 5¾%. g) Callable & puttable in Jul 00 at par. g1) 3-mth Libor +50bp. h) C$100m launched 19/6/97 was increased to C$200m. i) Over interpolated yield. j) A$100m launched 12/6/97 was increased to A$200m. k) Denom: $10,000 +2 wrts exercisable into Tokyo Dome Corp shares at Y1,589. FX: 116Y/$. Downward revision Dec 98, 80% floor. l) Long 1st coupon. m) Callable from Jul 02 at par. m1) 3-mth Libor +40bp to Jul 02, then +80bp. n) Callable & puttable on 11/7/02 at 98.90%. o) Denom: $10,000 + 2 wrts exercisable into shares of Sumitomo Heavy Industry Co at Y435. FX: 115.60Y/$. p) 3-mth Libor +12½bp. q) Callable on 23/7/07 & every 10 yrs at par. If not called coupon resets at 250bp over 10yr DSLs. r) Payments in Ecu prior to Emu. s) Short 1st coupon. t) 5% to 29/12/01, then 7¼%. u) 3-mth Libor flat. v) Fungible with SFr100m. Plus 108 days accrued. w) Fungible with existing FFr2bn and DM750m upon Emu. w1) 9% to 5/3/99, then 5¼%. x) Fungible with L500bn. Plus 14 days accrued. y) Issuers option to convert on 1/8/98 to either 7% fixed or 6-mth Libor +⅛%. z) Callable on 30/7/01 at par. z1) 6½% to 30/7/01, then 13% - 12-mth Libor; min 4%. A) 3-mth Libor -⅛%. B) 3-mth Libor -⅛%. C) Callable on 28/7/99 at par. C1) 5.40% to 28/7/99, then 7.10%. Long last coupon. D) Exchangeable into Nikkei 225 at 23,464.3. Callable from Jul 99, subject to 105% hurdle, at par. E) Coupons paid in US$. Note: Yields are calculated on ISMA basis.

CONTRACTS & TENDERS

OBITUARY

IN MEMORIAM

The employees and partners of Atlantik Financial Markets mourn the passing of their colleague and friend Michael Hobbs. We will remember Michael especially for the sincere interest he showed in people, for his tireless activity, and for the enthusiasm he brought to teaching and to his work in the Czech capital markets.

صكنا من الاجل

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Jul 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.8278	+0.1057	182 - 373	20.8593	20.7350	20.7734	3.1	20.6607	3.2	20.1552	3.2	102.2
Belgium	(BFr)	61.0779	+0.2977	260 - 297	61.1550	60.8010	60.9108	3.3	60.5675	3.3	59.0262	3.4	101.7
Denmark	(DKr)	11.2698	+0.0585	646 - 748	11.2870	11.2202	11.2423	2.9	11.1849	3.0	10.9354	3.0	104.1
Finland	(FM)	8.8069	+0.0429	001 - 136	8.8190	8.7730	8.7816	3.5	8.7291	3.5	8.5164	3.3	81.8
France	(FFr)	9.9615	+0.053	781 - 849	9.9921	9.9305	9.9554	3.1	9.9008	3.2	9.6562	3.3	104.3
Germany	(DM)	2.9600	+0.016	587 - 613	2.9857	2.9458	2.9516	3.4	2.9342	3.5	2.8575	3.5	102.6
Greece	(Dr)	465.459	+1.808	229 - 690	466.234	464.069	467.242	-4.6	469.866	-3.8	478.234	-2.7	65.1
Ireland	(I£)	1.1111	+0.0111	100 - 121	1.1128	1.1010	1.1107	0.4	1.1097	0.5	1.1017	0.8	99.2
Italy	(L)	2880.31	+12.38	904 - 159	2885.87	2868.38	2880.39	0.0	2880.41	0.0	2878.76	0.1	76.3
Luxembourg	(LFr)	61.0779	+0.2977	260 - 297	61.1550	60.8010	60.9108	3.3	60.5675	3.3	59.0262	3.4	101.7
Netherlands	(Fl)	3.3314	+0.0165	299 - 329	3.3371	3.3189	3.322	3.4	3.3029	3.4	3.218	3.4	101.1
Norway	(NKr)	12.3442	+0.063	363 - 521	12.3614	12.2377	12.3116	3.2	12.2457	3.2	11.9801	2.9	96.1
Portugal	(Es)	298.639	+1.8	466 - 811	298.908	297.391	298.493	0.6	297.953	0.9	293.865	1.6	92.7
Spain	(Pta)	250.176	+1.42	077 - 276	250.340	248.780	249.922	1.2	249.248	1.5	245.63	1.8	76.7
Sweden	(SKr)	13.0372	+0.0223	270 - 474	13.0652	12.9676	13.0128	2.2	12.9604	2.4	12.7501	2.2	84.5
Switzerland	(SFr)	2.4750	+0.0075	734 - 765	2.4797	2.4653	2.4645	5.1	2.4432	5.1	2.3525	4.9	104.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.0
Ecu	-	1.5035	+0.0064	025 - 044	1.5059	1.4976	1.5006	2.4	1.4941	2.5	1.4645	2.6	-
SDR†	-	1.206499	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6869	+0.0041	864 - 874	1.6891	1.6832	-	-	-	-	-	-	-
Brazil	(R$)	1.8184	+0.0045	178 - 190	1.8214	1.8154	-	-	-	-	-	-	-
Canada	(C$)	2.3190	+0.0062	179 - 201	2.3215	2.3149	2.3121	3.5	2.299	3.4	2.2494	3.0	84.9
Mexico	(New Peso)	13.4392	+0.0513	301 - 482	13.4652	13.4113	-	-	-	-	-	-	-
USA	($)	1.6877	+0.0039	872 - 882	1.6902	1.6842	1.6864	0.9	1.6836	1.0	1.671	1.0	102.4
Pacific/Middle East/Africa													
Australia	(A$)	2.2537	+0.0211	523 - 551	2.2555	2.2407	2.2531	0.3	2.2512	0.4	2.2411	0.6	91.8
Hong Kong	(HK$)	13.0670	+0.0285	623 - 717	13.0901	13.0399	13.066	0.1	13.0595	0.2	13.0045	0.5	-
India	(Rs)	60.3564	+0.1353	005 - 122	60.4122	60.2890	60.5516	-3.9	60.9522	-3.9	62.6319	-3.8	-
Israel	(Shk)	6.0105	+0.0518	906 - 303	6.0462	5.9118	-	-	-	-	-	-	-
Japan	(Y)	191.790	+0.586	683 - 898	192.150	190.630	190.815	6.1	188.86	6.1	180.575	5.8	134.2
Malaysia	(M$)	4.2606	+0.0161	585 - 627	4.2651	4.2504	4.2649	-1.2	4.2729	-1.2	4.2915	-0.7	-
New Zealand	(NZ$)	2.4909	+0.0065	892 - 925	2.4975	2.4866	2.4907	0.1	2.4917	-0.1	2.4989	-0.3	111.0
Philippines	(Peso)	44.5553	+0.0945	336 - 769	44.5769	44.6128	44.7152	-4.3	44.9646	-3.7	46.0216	-3.3	-
Saudi Arabia	(SR)	6.3293	+0.0146	270 - 316	6.3362	6.3166	6.3256	0.7	6.3174	0.8	6.2809	0.8	-
Singapore	(S$)	2.4244	+0.0143	228 - 259	2.4273	2.4162	2.4198	2.3	2.4097	2.4	2.3615	2.6	-
South Africa	(R)	7.6411	+0.0219	363 - 459	7.6476	7.6269	7.7016	-9.5	7.8197	-9.3	8.2567	-8.1	-
South Korea	(Won)	1497.58	+4.05	705 - 811	1499.27	1494.56	-	-	-	-	-	-	-
Taiwan	(T$)	47.0067	+0.0876	885 - 248	47.0681	46.9134	46.9901	0.4	46.9504	0.5	46.7527	0.5	-
Thailand	(Bt)	48.5215	+0.6172	852 - 578	49.2850	47.6940	48.8581	-8.3	49.3197	-6.6	50.3499	-3.8	-

† Rates for Jul 3 . Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.3408	+0.0341	389 - 429	12.3495	12.2940	12.3169	2.3	12.2679	2.4	12.0439	2.4	101.9
Belgium	(BFr)	36.1900	+0.093	700 - 100	36.2100	36.0550	36.115	2.5	35.9835	2.5	35.27	2.5	101.8
Denmark	(DKr)	6.6775	+0.0181	765 - 785	6.6832	6.6527	6.6658	2.1	6.6415	2.2	6.5351	2.1	103.5
Finland	(FM)	5.2183	+0.0134	159 - 207	5.2216	5.1995	5.2068	2.7	5.1832	2.7	5.0893	2.5	81.3
France	(FFr)	5.9143	+0.0178	140 - 145	5.9160	5.8862	5.9028	2.3	5.8789	2.4	5.7701	2.4	103.9
Germany	(DM)	1.7539	+0.0049	536 - 541	1.7560	1.7472	1.7501	2.6	1.7423	2.7	1.7073	2.7	102.3
Greece	(Dr)	275.795	+0.435	740 - 850	276.220	274.800	277.09	-5.6	279.145	-4.9	286.295	-3.8	64.7
Ireland	(I£)	1.5190	-0.0118	180 - 200	1.5330	1.5155	1.5182	0.6	1.5173	0.4	1.5177	0.1	-
Italy	(L)	1706.85	+3.4	640 - 690	1709.29	1701.00	1708.42	-1.2	1711.43	-1.1	1714.85	-0.5	76.1
Luxembourg	(LFr)	36.1900	+0.093	700 - 100	36.2100	36.0550	36.115	2.5	35.9635	2.5	35.27	2.5	101.8
Netherlands	(Fl)	1.9738	+0.0052	738 - 742	1.9756	1.9668	1.9696	2.6	1.9611	2.6	1.9234	2.6	101.2
Norway	(NKr)	7.3142	+0.0205	117 - 167	7.3200	7.2580	7.2997	2.4	7.2713	2.3	7.1596	2.1	95.4
Portugal	(Es)	176.950	+0.54	900 - 000	177.000	176.390	176.913	0.2	176.86	0.2	175.69	0.7	93.1
Spain	(Pta)	148.235	+0.5	220 - 250	148.260	147.580	148.19	0.4	148.015	0.6	146.84	0.9	76.4
Sweden	(SKr)	7.7249	-0.0046	211 - 286	7.7361	7.6942	7.7158	1.4	7.6965	1.5	7.6225	1.3	84.1
Switzerland	(SFr)	1.4665	+0.001	660 - 670	1.4688	1.4623	1.4611	4.4	1.4505	4.4	1.405	4.2	103.8
UK	(£)	1.6877	+0.0039	872 - 882	1.6902	1.6842	1.6854	0.9	1.6836	1.0	1.671	1.0	103.5
Ecu	-	1.1226	-0.0022	222 - 229	1.1260	1.1215	1.124	-1.5	1.1273	-1.7	1.1426	-1.8	-
SDR†	-	0.72051	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	+0.0001	995 - 995	0.9995	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.0775	+0.0002	774 - 775	1.0776	1.0774	-	-	-	-	-	-	-
Canada	(C$)	1.3741	+0.0005	738 - 743	1.3750	1.3725	1.371	2.8	1.3653	2.6	1.3447	2.1	84.7
Mexico	(New Peso)	7.9630	+0.012	600 - 660	7.9660	7.9550	8.0715	-16.4	8.2825	-16.0	9.193	-15.4	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3354	+0.0095	349 - 358	1.3358	1.3345	1.3352	0.2	1.3346	0.2	1.3303	0.4	94.2
Hong Kong	(HK$)	7.7425	-0.001	420 - 430	7.7450	7.7410	7.743	-0.1	7.7439	-0.1	7.7462	0.0	-
India	(Rs)	35.7625	-0.0025	400 - 850	35.7850	35.7400	35.9	-4.6	36.185	-4.7	37.3975	-4.6	-
Israel	(Shk)	3.5613	+0.0223	506 - 720	3.5861	3.5043	-	-	-	-	-	-	-
Japan	(Y)	113.640	+0.085	610 - 670	113.800	113.050	113.125	5.4	112.125	5.3	107.825	5.1	135.5
Malaysia	(M$)	2.5245	+0.0037	240 - 250	2.5250	2.5175	2.529	-2.1	2.538	-2.1	2.568	-1.7	-
New Zealand	(NZ$)	1.4759	+0.0004	754 - 765	1.4765	1.4754	1.4767	-0.7	1.4791	-0.9	1.4892	-0.9	-
Philippines	(Peso)	26.4000	-0.005	950 - 050	26.4050	26.3950	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-	500 - 505	-	-	3.751	-0.2	3.752	-0.2	3.7567	-0.2	-
Singapore	(S$)	1.4365	+0.0052	360 - 370	1.4370	1.4316	1.4348	1.5	1.431	1.5	1.4115	1.7	-
South Africa	(R)	4.5275	+0.0025	260 - 290	4.5290	4.5150	4.568	-10.7	4.6475	-10.6	4.95	-9.3	-
South Korea	(Won)	887.350	+0.35	300 - 400	887.500	887.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.8525	-0.0125	500 - 550	27.8630	27.8500	27.8635	-0.5	27.8725	-0.3	27.965	-0.4	-
Thailand	(Bt)	28.7500	+0.3	000 - 000	29.2000	28.2750	28.975	-9.4	29.3	-7.7	30.125	-4.8	-

† SDR rate per $ for Jul 3 . Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 3 : Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

July 4	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅝	3[illegible]	3[illegible]	3[illegible]	3[illegible]	6.00	2.50	-
week ago	3[illegible]	3[illegible]	3[illegible]	3[illegible]	3[illegible]	6.00	2.50	-
France	3[illegible]	3¼	3[illegible]	3[illegible]	3[illegible]	3.10	-	4.75
week ago	3¼	3¼	3[illegible]	3⅜	3[illegible]	3.10	-	4.75
Germany	3⅛	3[illegible]	3[illegible]	3[illegible]	3[illegible]	4.50	2.50	3.00
week ago	3⅛	3[illegible]	3[illegible]	3[illegible]	3[illegible]	4.50	2.50	3.00
Ireland	6	6[illegible]	6[illegible]	6[illegible]	6[illegible]	-	-	6.75
week ago	6[illegible]	6[illegible]	6¼	6[illegible]	6[illegible]	-	-	6.75
Italy	6[illegible]	6⅜	6[illegible]	6¾	6[illegible]	7.75	6.25	6.82
week ago	7[illegible]	6¾	6¾	6¼	6¼	8.25	6.75	6.82
Netherlands	3[illegible]	3[illegible]	3[illegible]	3[illegible]	3[illegible]	-	2.50	2.90
week ago	3⅛	3[illegible]	3⅛	3[illegible]	3[illegible]	-	2.50	2.90
Switzerland	1⅝	1½	1½	1[illegible]	1[illegible]	-	1.00	-
week ago	1⅝	1½	1⅝	1[illegible]	1[illegible]	-	1.00	-
US	5½	5⅝	5[illegible]	5[illegible]	6[illegible]	-	5.00	-
week ago	5[illegible]	5⅝	5[illegible]	6	6[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	5[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	½	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5[illegible]	5⅝	5[illegible]	6[illegible]	-	-	-
week ago	-	5[illegible]	5[illegible]	5[illegible]	6⅛	-	-	-
US Dollar CDs	-	5.47	5.59	5.68	5.88	-	-	-
week ago	-	5.47	5.58	5.67	5.87	-	-	-
ECU Linked Ds	-	4[illegible]	4[illegible]	4⅛	4[illegible]	-	-	-
week ago	-	4[illegible]	4[illegible]	4⅛	4[illegible]	-	-	-
SDR Linked Ds	-	3[illegible]	3[illegible]	3[illegible]	3⅝	-	-	-
week ago	-	3[illegible]	3[illegible]	3[illegible]	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 4	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3¼ - 3¼	3[illegible] - 3[illegible]	3⅜ - 3¼	3⅜ - 3¼	3[illegible] - 3[illegible]	3½ - 3[illegible]
Danish Krone	3[illegible] - 3[illegible]	3[illegible] - 3½	3[illegible] - 3[illegible]	3⅝ - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
German Mark	3[illegible] - 2[illegible]	3⅛ - 3	3⅛ - 3	3⅛ - 3	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
Dutch Guilder	3 - 2[illegible]	3[illegible] - 2[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3⅜ - 3[illegible]
French Franc	3¼ - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]	3⅜ - 3[illegible]	3[illegible] - 3[illegible]	3[illegible] - 3[illegible]
Portuguese Esc.	6[illegible] - 6[illegible]	6[illegible] - 5[illegible]	6[illegible] - 5[illegible]	5⅞ - 5[illegible]	5[illegible] - 5⅝	5[illegible] - 5⅜
Spanish Peseta	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5¼ - 5[illegible]	5[illegible] - 5⅛	5⅛ - 5[illegible]
Sterling	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	7[illegible] - 6[illegible]	7[illegible] - 7⅛	7[illegible] - 7[illegible]
Swiss Franc	1¾ - 1½	1[illegible] - 1[illegible]	1[illegible] - 1[illegible]	1[illegible] - 1[illegible]	1[illegible] - 1[illegible]	1[illegible] - 1[illegible]
Canadian Dollar	3⅛ - 2⅞	3⅜ - 3[illegible]	3⅜ - 3[illegible]	3½ - 3¼	3[illegible] - 3[illegible]	4⅛ - 3⅞
US Dollar	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5[illegible] - 5[illegible]	5¾ - 5⅝	5[illegible] - 5[illegible]	6[illegible] - 5[illegible]
Italian Lira	7[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6⅝	6[illegible] - 6[illegible]
Japanese Yen	½ - [illegible]	[illegible] - ½	[illegible] - [illegible]	[illegible] - ⅝	[illegible] - [illegible]	[illegible] - [illegible]
Asian $Sing	1¾ - 1⅝	5 - 4½	4⅞ - 4⅜	3[illegible] - 3[illegible]	3⅝ - 3½	4⅝ - 4⅛

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.16	94.20	+0.01	94.22	94.13	74,757	561,638
Dec	93.97	94.05	-0.11	94.07	93.96	79,572	442,296
Mar	93.87	93.99	+0.02	94.02	93.88	46,946	298,987

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.83	94.86	+0.05	94.88	94.83	72	7,939
Dec	94.72	94.72	+0.08	94.74	94.72	16	534

All Open Interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 4		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.45	16.34	4.846	1.819	4716	5.454	20.21	488.9	409.6	21.35	4.052	1.637	3.797	2.763	314.0	2.461
Denmark	(DKr)	54.20	10	8.857	2.627	0.986	2556	2.956	10.95	265.0	222.0	11.57	2.196	0.887	2.058	1.498	170.2	1.334
France	(FFr)	61.19	11.29	10	2.966	1.113	2886	3.338	12.37	299.2	250.6	13.06	2.480	1.002	2.323	1.691	192.1	1.506
Germany	(DM)	20.63	3.807	3.372	1	0.375	973.1	1.125	4.170	100.9	84.52	4.404	0.836	0.338	0.783	0.570	64.79	0.508
Ireland	(I£)	54.97	10.14	8.984	2.664	1	2592	2.998	11.11	268.8	225.2	11.73	2.228	0.900	2.087	1.519	172.6	1.353
Italy	(L)	2.121	0.391	0.347	0.103	0.039	100	0.116	0.429	10.37	8.686	0.453	0.086	0.035	0.081	0.059	6.659	0.052
Netherlands	(Fl)	18.33	3.383	2.996	0.889	0.334	864.6	1	3.705	89.64	75.10	3.914	0.743	0.300	0.696	0.507	57.57	0.451
Norway	(NKr)	49.48	9.130	8.086	2.398	0.900	2333	2.699	10	241.9	202.7	10.56	2.005	0.810	1.879	1.367	155.4	1.218
Portugal	(Es)	20.45	3.774	3.342	0.991	0.372	964.5	1.116	4.133	100	83.77	4.366	0.829	0.335	0.777	0.565	64.22	0.503
Spain	(Pta)	24.41	4.505	3.990	1.183	0.444	1151	1.332	4.934	119.4	100	5.211	0.989	0.400	0.927	0.675	76.66	0.601
Sweden	(SKr)	46.85	8.644	7.656	2.270	0.852	2209	2.555	9.468	229.1	191.9	10	1.898	0.767	1.779	1.295	147.1	1.153
Switzerland	(SFr)	24.68	4.553	4.033	1.196	0.449	1164	1.346	4.988	120.7	101.1	5.268	1	0.404	0.937	0.682	77.49	0.607
UK	(£)	61.08	11.27	9.982	2.960	1.111	2880	3.331	12.34	298.6	250.2	13.04	2.475	1	2.319	1.688	191.8	1.503
Canada	(C$)	26.34	4.860	4.304	1.276	0.479	1242	1.437	5.323	128.8	107.9	5.622	1.067	0.431	1	0.728	82.70	0.648
USA	($)	36.19	6.678	5.914	1.754	0.658	1707	1.974	7.314	177.0	148.2	7.725	1.467	0.593	1.374	1	113.6	0.891
Japan	(Y)	31.85	5.876	5.204	1.543	0.579	1502	1.737	6.436	155.7	130.4	6.798	1.290	0.521	1.209	0.880	100	0.784
Ecu	-	40.63	7.496	6.639	1.969	0.739	1916	2.216	8.211	198.6	166.4	8.672	1.646	0.665	1.543	1.123	127.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.5732	0.5738	+0.0003	0.5754	0.5721	36,650	101,844
Dec	0.5767	0.5776	+0.0002	0.5790	0.5767	139	1,020
Mar	-	0.5814	+0.0001	0.5835	-	9	227

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.6860	0.6871	+0.0007	0.6886	0.6848	20,755	45,946
Dec	0.6914	0.6943	+0.0006	0.6957	0.6930	166	932
Mar	-	0.7018	+0.0006	0.7022	-	100	153

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	0.8827	0.8896	+0.0070	0.8915	0.8810	12,671	53,059
Dec	0.8954	0.9012	+0.0070	0.9027	0.8954	32	1,103
Mar	-	0.9130	+0.0070	-	-	3	107

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Sep	1.6702	1.6872	+0.0150	1.6896	1.6672	26,779	57,038
Dec	1.6680	1.6816	+0.0142	1.6840	1.6670	41	589
Mar	-	1.6760	+0.0134	1.6780	1.6620	1	2

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.650	2.70	-	3.61	0.09	0.75	1.24
1.660	1.89	2.56	2.97	0.24	1.07	1.61
1.670	1.15	2.01	2.45	0.45	1.48	2.05

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
0.570	0.38	0.78	1.06	0.20	0.49	0.65
0.575	0.15	0.55	0.80	0.46	0.71	0.89
0.580	0.04	0.37	0.58	0.86	1.03	1.16

Previous day's vol., Calls n/a Puts n/a . Prev. day's open int., Calls n/a Puts n/a

UK INTEREST RATES

LONDON MONEY RATES

Jul 4	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅜ - 4	6[illegible] - 6⅛	6[illegible] - 6[illegible]	7⅛ - 6[illegible]	7¼ - 7[illegible]	7½ - 7¼
Sterling CDs	-	-	6[illegible] - 6½	6[illegible] - 6¾	6[illegible] - 6⅞	7[illegible] - 7⅛
Treasury Bills	-	-	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	-	-
Bank Bills	-	-	6[illegible] - 6[illegible]	6½ - 6[illegible]	6[illegible] - 6[illegible]	-
Local authority deps.	6¼ - 6⅛	6½ - 6⅜	6[illegible] - 6[illegible]	6[illegible] - 6[illegible]	6[illegible] - 6¾	7[illegible] - 6[illegible]
Discount Market deps	6¾ - 6⅜	6⅜ - 6¼	-	-	-	-

UK clearing bank base lending rate 6½ per cent from Jun 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jul 4 . 6.5963pc. ECGD fixed rate Stlg. Export Finance. Make up day Jun 30, 1997. Agreed rate for period Jul 26, 1997 to Aug 25, 1997, Scheme III 7.98pc. Reference rate for period May 31, 1997 to Jun 30, 1997, Schemes IV & V 6.738pc. Finance House Base Rate 7pc from Jul 1, 1997

BANK OF ENGLAND TREASURY BILL TENDER

	Jul 4	Jun27		Jul 4	Jun 27
Bills on offer	£200m	£200m	Top accepted rate	6.6582%	6.4376%
Total of applications	£910m	£1073m	Ave. rate of discount	6.5963%	6.4200%
Total allocated	£200m	£200m	Average yield	6.7065%	6.5243%
Min. accepted bid	£98.340	£98.400	Offer at next tender	£200m	£200m
Allotment at min. level	45%	93%	Min. accept. bid 92 days	-	-

■ Pound in New York

Jul 3	-- Close --	-- Prev. close --
£ spot	1.6905	1.6730
1 mth	1.6889	1.6715
3 mth	1.6852	1.6690
1 yr	1.6690	1.6538

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	Scottish Widows Bank	6.50
Allied Irish Bank (GB)	6.50	Exeter Bank Limited	7.50	●Singer & Friedlander	6.50
●Henry Ansbacher	6.50	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.50
Bank of Baroda	6.50	●Robert Fleming & Co	6.50	TSB	6.50
Banco Bilbao Vizcaya	6.50	●Guinness Mahon	6.50	United Bank of Kuwait	6.50
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	Unity Trust Bank Plc	6.50
Bank of Ireland	6.50	●Hambros Bank	6.50	Western Trust	6.50
Bank of India	6.50	Heritable & Gen Inv Bk	6.50	Whiteaway Laidlaw	6.50
Bank of Scotland	6.50	C. Hoare & Co	6.50	Yorkshire Bank	6.50
Barclays Bank	6.50	Hongkong & Shanghai	6.50		
Brit Bk of Mid East	6.50	Investec Bank (UK) Ltd	6.50	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.50	* In administration	
Citibank NA	6.50	●Leopold Joseph & Sons	6.50		
Clydesdale Bank	6.50	Lloyds Bank	6.50		
The Co-operative Bank	6.50	Midland Bank	6.50		
Coutts & Co	6.50	NatWestminster	6.50		
Cyprus Popular Bank	6.50	●Rea Brothers	6.50		
		Royal Bk of Scotland	6.50		

OTHER STATISTICS

STOCK INDICES

	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30	1997 High	1997 Low	Since comp. High	Since comp. Low
FTSE 100	4812.8	4831.7	4751.4	4728.3	4604.6	4831.7	4056.6	4831.7	986.9
FTSE 250	4453.0	4478.2	4471.3	4452.5	4431.3	4729.4	4431.3	4729.4	1379.4
FTSE 250 ex IT	4451.0	4476.5	4473.6	4454.9	4434.3	4773.8	4434.3	4773.8	1378.3
FTSE 350	2311.3	2320.9	2288.2	2278.3	2228.0	2320.9	2017.9	2320.9	664.5
FTSE SmallCap	2226.62	2227.19	2226.86	2225.62	2225.24	2374.29	2178.29	2374.29	1363.79
FTSE SmallCap ex IT	2198.22	2199.38	2199.94	2200.17	2201.89	2382.36	2190.60	2382.36	1363.79
FTSE All-Share	2260.61	2269.36	2240.42	2230.43	2184.52	2269.36	1989.78	2269.36	61.92
FTSE Fledgling	1257.62	1255.75	1253.25	1251.73	1253.34	1348.82	1223.48	1348.82	31.14
FTSE Eurotrack 100	2618.41	2593.64	2565.92	2537.85	2532.09	2618.41	1893.80	2618.41	900.45
FTSE Eurotrack 200	2614.16	2596.80	2549.31	2523.07	2503.67	2614.16	1947.11	2614.16	938.52
FT 30	3050.5	3082.0	3056.6	3038.6	2985.6	3082.0	2762.5	3082.8	49.4
FT Govt Securities	97.27	96.96	97.12	96.99	96.51	97.51	93.31	127.40	49.18
FT Fixed Interest	124.38	123.86	124.13	123.89	123.66	124.38	113.95	133.87	50.53
FTSE Gold Mines	1335.44	1378.81	1399.31	1401.21	1382.84	1907.49	1378.81	2520.73	922.16

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
200	Nil	16/7	24½pm	7½pm	Benchmark Group	16½pm	+1
155	Nil	9/7	15½pm	1½pm	Century Inns	2pm	
2	Nil	21/7	1½pm	¼pm	Dragon Oil	1¼pm	
20	Nil	28/7	27½pm	2¾pm	Mackie Intl	8pm	
17.5	Nil	22/7	1¼pm	¼pm	Marylebone Wrwk	¾pm	
1	Nil	15/7	½pm	¼pm	Millwall Hldgs	¼pm	
75	Nil	11/7	7½pm	5pm	Waterfall Hldgs	5½pm	

pm premium.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	67.2	127½	124½	Ashtenne	126½	+1	W5.0	1.8	4.9	14.2
§	F.P.	96.5	1200	762½	Aston Villa	842½	-2½	R6.3	1.3	1.3	46.3
§150	F.P.	30.5	152½	149½	AIT	153½		L1.35	3.9	1.1	28.3
	F.P.	15.9	102	42½	Caradon B	99½		-	-	-	-
*	F.P.	1.98	26	24	†Euro Mining Fin	24½		-	-	-	-
§2.5	F.P.	3.25	3½	3	Grosmont Hldgs	3¼		-	-	-	-
§-	F.P.	1.20	1	½	Grosmont Hld Wnt	1		-	-	-	-
§140	F.P.	11.2	147½	98½	Heart of Midlothn	113½		-	-	-	-
§120	F.P.	10.3	127½	124½	†Highland Timber	124½		-	-	-	-
100	F.P.	3.25	125	102½	†Integrated As Mg	125		-	-	-	-
§	F.P.	3.88	119½	112½	Longbridge Intl	117½		-	-	-	16.4
290	F.P.	6,398	357½	316½	Norwich Union	332	-½	L12.5	1.2	4.5	17.2
§185	F.P.	119.7	202½	195½	Powderject Pharm	222½	-2½	-	-	-	-
§	F.P.	14.1	140½	136½	Primesight	140½		-	-	-	14.1
100	F.P.	33.3	112½	89½	Reabourne Merlin	110½		-	-	-	-
§	F.P.	69.7	227	204½	Royalblue Grp	211	+1½	1.5	2.6	0.9	53.6
§100	F.P.	7.99	120½	110½	†SBS Group	112½		12.4	3.0	2.7	15.6
§150	F.P.	117.0	157½	155	SGB Group	156	+½	14.4	2.8	3.5	12.7
§3	F.P.	5.40	4	3½	Versatile Group	3¾		-	-	-	-

† Alternative Investment Market. § Placing price * Introduction For a full explanation of all other symbols please refer to The London Share Service notes.

BANK RETURN

BANKING DEPARTMENT	Wednesday July 2, 1997	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	1,140,164,528	+84,152,359
Bankers deposits	2,404,600,800	-247,533,861
Reserve and other accounts	3,429,202,541	+266,147,349
	6,988,520,869	+112,765,847
Assets		
Government securities	1,391,406,305	-14,145,000
Advance and other accounts	3,972,320,752	-622,451,776
Premise, equipment and other secs	1,616,211,809	+750,535,051
Notes	8,463,015	-1,183,890
Coin	118,988	+11,482
	6,988,520,869	+112,765,847
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	21,791,536,985	+121,183,890
Notes in Banking Department	8,463,015	-1,183,890
	21,800,000,000	+120,000,000
Assets		
Other Government securities	16,717,502,209	-2,910,993,325
Other Securities	5,082,497,791	+3,030,993,325
	21,800,000,000	+120,000,000

FTSE GOLD MINES INDEX

	Jul 4	% chg since 31/12/96	Mid Cap $bn	% of Gold Mines	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index† (31)	1335.44	-26.8	36.50	100.00	2.33	-	2130.03	1335.44
■ Regional Indices								
Africa (14)	1402.79	-34.0	8.34	22.86	6.27	22.49	2917.33	1402.79
Australasia (6)	1512.06	-31.8	3.98	10.89	3.40	17.16	2455.10	1512.06
North America (11)	1303.25	-22.8	24.18	66.25	0.60	67.76	1864.38	1303.25

Copyright, FTSE International Limited 1997. All rights reserved. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. CONSTITUENT CHANGES DURING THE WEEK ENDING 4/7/97: Addition: Newmont Mining (North America). Deletion: Newmont Gold (North America) (Quarter end changes). Market closed 4/7/97: USA.

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due		Last xd	City line
Shorts" (Lives up to Five Years)								
Treas Cnv 7pc 1997‡‡		100[illegible]	—	1,968	Fe6	Au6	28.1	4491
Treas 8¾pc 1997‡‡		100¼	-1	5,550	Mr1	Se1	20.2	1341
Exch 15pc 1997		102[illegible]	-2	830	Ap27	Oc27	17.4	1369
Exch 9¾pc 1998		101½	-1	3,550	Jy19	Ja19	9.1	1273
Treas 7¼pc 1998‡‡		100[illegible]	-1	8,150	Se30	Mr30	18.3	1788
Treas 15½pc '98‡‡		108[illegible]	-3	835	Mr26	Se26	18.9	1306
Exch 12pc 1998		106¼	-2	3,909	My20	Nv20	9.5	1250
Treas 9½pc 1999‡‡		103[illegible]xd	-2	1,809	Jy15	Ja15	4.7	1347
Treas Flg Rate 1999‡‡		100[illegible]	—	5,700	Mr Ju Se De		2.6	4845
Exch 12¼pc 1999		108[illegible]	-3	3,050	Se26	Mr26	17.3	1284
Treas 10½pc 1999		105[illegible]	-3	1,852	Nv19	My19	8.5	1289
Treas 6pc 1999 ‡‡		98[illegible]	-2	6,950	Fe10	Au10	30.1	3695
Conv 10¼pc 1999		106[illegible]	-3	1,798	My22	Nv22	13.5	1242
Treas 8½pc 2000		102[illegible]	-3	109	Ja28	Jy28	17.1	-
Conv 9pc 2000‡‡		104[illegible]	-3	5,358	Se3	Mr3	28.2	1244
Treas 13pc 2000		115[illegible]	-4	3,171	Ja14	Jy14	3.7	1298
Treas 14pc 1998-1		105[illegible]	-2	978	My22	Nv22	13.5	1305
Treas 8pc 2000‡‡		102[illegible]	-4	9,800	Ja7	De7	28.5	4948
Treas Flg Rate 2001		100[illegible]	--	3,000	Mr Ju Se De		7.4	-
Treas 10pc 2001		109[illegible]	-4	4,406	Au26	Fe26	17.2	1380
Conv 9¾pc 2001		107[illegible]xd	-4	3	Ja12	Jy12	3.7	-
Conv 9¾pc 2001		109[illegible]	-4	35	Fe10	Au10	30.1	-
Treas 7pc 2001 ‡‡		99[illegible]	-4	12,750	My6	Nv6	24.4	3931
Exch 12pc 1999-2		107[illegible]	-3	105	Ja22	Jy22	13.1	-
Conv 10pc 2002		111[illegible]	-4	21	Oc11	Ap11	2.4	-
Treas 7pc 2002‡‡		99[illegible]	-5	7,500	De7	Ja7	28.5	-
Five to Fifteen Years								
Conv 9½pc 2002		108[illegible]	-4	2	De14	Jn14	5.6	-
Treas 9¾pc 2002		110½	-4	6,527	Fe27	Au27	18.2	1348
Exch 9pc 2002		107[illegible]	-4	83	My19	Nv19	8.5	-
Conv 9¾pc 2003		112	-4	11	Nv7	My7	25.4	-
Treas 8pc 2003‡‡		104[illegible]	-4	8,600	Ja10	De10	30.5	2010
Treas 13¾pc 2000-3		117[illegible]	-5	53	Ja25	Jy25	16.1	-
Treas 10pc 2003		113[illegible]	-4	2,503	Mr8	Se8	27.2	1281
Treas 11½pc 2001-4		113[illegible]	-4	1,628	Se19	Mr19	10.3	1290
Treas 10pc 2004		115[illegible]	-4	23	Nv18	My18	8.5	-
Funding 3½pc 1999-4		86[illegible]xd	-3	549	Ja14	Jy14	3.7	1274
Conv 9½pc 2004		113[illegible]	-3	3,412	Ap25	Oc25	16.4	1246
Treas 6¾pc 2004‡‡		98[illegible]	-3	6,500	My26	Nv26	15.5	3641
Conv 9½pc 2005		114[illegible]	-2	4,842	Oc18	Ap18	9.4	1247
Exch 10½pc 2005		120[illegible]	-2	23	Mr20	Se20	11.3	-
Treas 12½pc 2003-5		126[illegible]	-4	2,200	My21	Nv21	12.5	1295
Treas 8½pc 2005‡‡		108[illegible]	-1	10,373	Ja7	De7	29.5	4946
Conv 9½pc 2006		118[illegible]	—	6	My15	Nv15	8.5	-
Treas 7½pc 2006‡‡		103[illegible]	—	11,700	Ja7	De7	29.5	1148
Treas 7¾pc 2006‡‡		104[illegible]	—	4,000	Mr8	Se8	27.2	2300
Treas 8pc 2002-6‡‡		103[illegible]	-4	2,050	Ap5	Oc5	25.3	1334
Treas 11¾pc 2003-7		120[illegible]	-4	3,150	Ja22	Jy22	13.1	1293
Treas 8½pc 2007 ‡‡		110[illegible]	—	7,397	Ja16	Jy16	7.1	1339
Treas 7¼pc 2007‡‡		101[illegible]	0.1	7,000	Ja7	De7	28.5	-
Treas 13½pc 2004-8		133	-4	95	Se26	Mr26	17.3	-
Treas 9pc 2008 ‡‡		115	0.2	5,621	Ap13	Oc13	3.4	1343
Treas 8pc 2009		107[illegible]	0.4	3,450	Mr25	Se25	14.3	1836
Treas 6¼pc 2010‡‡		93[illegible]	0.8	4,750	Mr25	Nv25	15.5	4832
Conv 9pc Ln 2011 ‡‡		117[illegible]xd	0.7	5,273	Jy12	Ja12	3.7	1245
Over Fifteen Years								
Treas 9pc 2012‡‡		118[illegible]	0.8	5,368	Fe6	Au6	28.1	1701
Treas 5½pc 2008-12‡‡		89[illegible]	1.0	1,000	Mr10	Se10	27.2	1330
Treas 8pc 2013‡‡		108[illegible]	1.1	6,100	Mr27	Se27	18.3	2229
Treas 7¾pc 2012-15‡‡		106[illegible]	1.0	800	Ja26	Jn26	16.1	1332
Treas 8pc 2015‡‡		110[illegible]	1.3	13,787	Ja7	De7	29.5	4892
Treas 8¾pc 2017‡‡		118[illegible]	1.4	7,550	Fe25	Au25	14.2	1982
Exch 12pc 2013-17		147[illegible]	0.7	57	Ja12	De12	3.6	-
Treas 8pc 2021‡‡		112[illegible]	1.6	13,800	Ja7	De7	28.5	-
Undated								
Consols 4pc		55[illegible]	2.8	358	Ap1	Fe1	24.1	1229
War Loan 3½pc‡‡		50	1.8	1,909	Ja1	De1	16.5	1352
Conv 3½pc '61 Aft		67[illegible]	1.6	115	Ap1	Oc1	19.3	1243
Treas 3pc '66 Aft		40[illegible]	1.6	56	Ap5	Oc5	25.3	1326
Consols 2½pc		35[illegible]	1.9	276	Ja Ap Jy Oc		26.6	1236
Treas 2½pc		34[illegible]	1.6	475	Ap1	Oc1	19.3	1315
Index-Linked (b)								
4½pc '98‡‡	(135.6)	114[illegible]	—	800	Ap27	Oc27	17.4	1783
2pc '99		182[illegible]	0.2	2	My22	Nv22	13.5	-
2½pc '01	(78.3)	185[illegible]	0.1	2,150	Mr24	Se24	13.3	1216
2½pc '03	(78.8)	182[illegible]	0.2	2,330	My20	Nv20	9.5	1317
4⅛pc '04‡‡	(135.6)	118[illegible]	0.3	1,150	Ap21	Oc21	10.4	1253
2pc '06	(69.5)	193[illegible]	0.5	2,350	Ja19	Jy19	9.1	1314
2½pc '09	(78.8)	174[illegible]	0.7	2,525	My20	Nv20	9.5	1318
2½pc '11	(74.6)	181[illegible]	0.8	2,950	Fe23	Au23	17.2	1319
2½pc '13	(89.2)	149[illegible]	1.0	2,750	Fe16	Au16	6.2	1320
2½pc '16	(81.6)	159[illegible]	1.2	3,725	Ja26	Jy26	16.1	1321
2½pc '20	(83.0)	153[illegible]	1.3	3,350	Ap16	Oc16	7.4	1322
2½pc '24‡‡	(97.7)	127[illegible]	1.4	3,550	Ja17	Jy17	6.1	1323
4⅛pc '30‡‡	(135.1)	129[illegible]	1.4	1,300	Ja22	Jy22	13.1	1134

(b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for October 1996: 153.8 and for May 1997: 156.9.

Other Fixed Interest

	Notes	Price £	Wk % +/-	Amnt £m	Interest due		Last xd	City line
Asian Dev 10¼pc 2009		122[illegible]	—	100	Mr24	Se24	24.3	-
B'ham 11½pc 2012		137[illegible]	—	45	My15	Nv15	15.4	1837
Leeds 13½pc 2006		137[illegible]	..	43	Ap1	Oc1	10.3	3146
Liverpool 3½pc Irred		42	—	5	Ja Ap Jy Oc		2.6	-
LCC 3pc '20 Aft		37	—	25	Mr Ju Se De		1.5	-
Manchester 11½pc 2007		126[illegible]	—	6	Ap25	Oc25	27.3	3275
Met. Wtr 3pc 'B'		82	—	25	Mr1	Se1	2.2	3361
N'wide Anglia 3⅝pc2021		144[illegible]	—	60	Ja30	Jy30	16.6	3463
4¼pc IL 2024		139[illegible]	—	50	Ap23	Fe23	12.1	-

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

LEGAL NOTICES

INSOLVENCY ACT 1986
GILL ENVIRONMENTAL PRODUCTS LIMITED
PRINCIPAL PLACE OF BUSINESS: BALACLAVA ROAD, NEEPSEND, SHEFFIELD
(IN ADMINISTRATIVE RECEIVERSHIP)

[illegible]

DAVID JOHN STOKES and EDWARD KLEMPKA

LEGAL NOTICES

INSOLVENCY ACT 1986
GLS REALISATIONS LIMITED
MOSSBROOK ELECTRICAL CONTROL SUPPLIES LIMITED
PRINCIPAL PLACE OF BUSINESS: CARLEY DRIVE, WESTFIELD, SHEFFIELD
(IN ADMINISTRATIVE RECEIVERSHIP)

[illegible]

DAVID JOHN STOKES and EDWARD KLEMPKA

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

CHEMICALS - Cont.

[illegible]

ENGINEERING - Cont.

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

BANKS, RETAIL

[illegible]

DISTRIBUTORS

[illegible]

INVESTMENT TRUSTS

[illegible]

FOOD PRODUCERS

[illegible]

BREWERIES, PUBS & REST

[illegible]

GAS DISTRIBUTION

[illegible]

BUILDING & CONSTRUCTION

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

HEALTH CARE

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING, VEHICLES

[illegible]

HEALTH CARE - Cont.

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

CHEMICALS

[illegible]

ENGINEERING

[illegible]

هكذا من الاصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

	Notes	Price	Wk % ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Scot National Inc	♣†¶	98½xd	0.9	9.4	JaApJyOc	108.3	27.5	3061
Cap		62½	9.0	–	–	39.8	–	3060
Warrants		6½	—	–	–	–	–	–
Stepped Pf		109½	—	7.57	Mar Sep	53.8	17.2	3062
Zero Div Pref		298	–.1	–	–	110.3	–	[illegible]
Tor Inc	[illegible]	[illegible]	—	654.71	JaApJyOc	10.9	30.6	[illegible]
Cap		[illegible]	1.5	[illegible]	Nov	[illegible]	14.10	[illegible]
TR Technology B	♣	370	0.9	10.0	Aug Apr	138.7	24.2	[illegible]
Zero Pf		[illegible]	—	–	–	187.8	–	[illegible]
Stepped Pf		[illegible]	—	7.30	Dec Jun	60.1	19.5	[illegible]
Units		415	—	40.8	Jun Dec	–	19.5	1138
Vanguard Geared	♣	27½	1.5	–	–	1.30	–	1782
Capital Indexed		420	5.7	–	–	5.87	–	1785
Income		34½	3.0	4.75	Jan Dec	2.07	19.5	1783
Yeoman Income		70	1.3	16.1	–	16.7	17.2	[illegible]
Capital		391	5.4	–	–	88.9	–	[illegible]
Zero Pref		283	—	–	–	32.4	–	1286

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

	Notes	Price	Wk % ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Approved by the Inland Revenue								
Atlantis Japan Gwth Fd		446½	0.2	–	–	80.9	–	[illegible]
Warrants		57¼	–0.2	–	–	2.28	–	[illegible]
Baring Emrg Euro	$	[illegible]	3.0	–	–	124.9	10'94	[illegible]
Warrants		[illegible]	8.7	–	–	13.7	–	[illegible]
Brazilian Smaller Cos	$#	[illegible]	–1.5	01.6	Jul	51.5	6'96	[illegible]
Warrants		[illegible]	–1.5	–	–	5.58	–	[illegible]
Central Euro Gwth	$	[illegible]	–.4	–	–	133.5	3'96	4181
Warrants		[illegible]	–1.5	–	–	[illegible]	–	[illegible]

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Cont.

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PHARMACEUTICALS - Cont.

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

Toronto-Dom C$	16½	–.1	1.12c	JaApJyOc	18.12	1207
Trans Can Ppe C$ ♥	12½	0.6	$1.10	JaApJyOc	28.6	–
Western Star Trucks C$	17½	2.8	–	–	–	–

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind R		525	—	Q545c	ϕ	May Oct	2.9	–
Barlow	$†	88½	1.7	Q108c	3.3	Jan Jul	9.12	–
Gold Flds Prop R	†	172½	–3.9	Q85c	1.5	Feb Sep	2'95	–
SA Brews		£18½	–1.1	Q257c	ϕ	Jul Feb	2.6	4113
Standard Bank		£29½	–3.7	Q407c	ϕ	Sep Mar	3.3	–
Tiger Oats	†	1062½xd	–3.4	Q39½c	2.3	Jan Jul	9.6	–
Tongaat-Hulett		729½xd	–1.5	Q142c	ϕ	Jan Jul	17.6	–

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ± Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1997. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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FT Share Service

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Prices for dealing July 4

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd

PO Box 246, St Peter Port, Guernsey 01481 723021

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

AIB Fund Management Ltd

BT Fund Managers (Ireland) Ltd (u)

Bank of Cyprus Group

Baring Management Co (Ireland) Ltd

Christows Investments Plc

Lazard Investment Funds Ltd

Argenta European Hedge Fund plc

Asia Dynamic Growth Fund Plc

Asia Small Cos Growth Fund (u)

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Gateway Fund Plc

Berkshire KTC Growth Fund Plc

Berkshire Korea Fund Plc

Blackstone Franks Managers Ireland Ltd

Bordier Invest (Ireland) Ltd

Buchanan Asset Management (Ireland) Ltd

HSBC UK Equity Plus III Plc

HSBC UK Equity Plus W Plc

HSBC UK Equity Plus V Plc

The Wanger Investment Company PLC

Yamaichi Samsung Dynamic Korea Fund

Yuki Korea Fund

Yuki Taiwan Fund

ISLE OF MAN

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

TSB Fund Managers - Contd.

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Scottish Value Management (Ireland) Ltd (u)

St Stephen's Green, Dublin 2 00 3531 4757601

Fund	Selling Price	Buying Price	Yield Gr's	City-Line
UK Growth	£2.83	2.87	-	48820
European Growth	£3.38	3.44	-	48821
Broker Value	£1.3184		-	45555
Relative Value H	£1.0505		-	45565

Singer & Friedlander Inv Funds Ltd (u)

21 New Street, Bishopsgate, EC2M 4HR 0171-626 6229

CFP Interest Rate Arbitrage Fund Plc

Fund	Selling Price	Buying Price	Yield Gross	City-Line
NAV	$11.16		0.00	58827

Calplus Fund

Fund	Selling Price	Buying Price	Yield Gross	City-Line
NAV	$110.00		-	58512

Capital Vision Fund Plc

Fund	Selling Price	Buying Price	Yield Gross	City-Line
NAV	$3.64		-	58516

Chemical Ireland Fund Administrators Ltd

Fund	Selling Price	Buying Price	Yield Gross	City-Line
Nikko East Asia Class A	$11.4283		-	58508
Nikko East Asia Class B	$11.4744		-	58509

صكنا من الاجل

Offshore Funds and Insurances

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LUXEMBOURG (REGULATED)(**)

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Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 4 / Sch)

BELGIUM/LUXEMBOURG (Jul 4 / Frs.)

CZECH REP (Jul 4 / Korun)

DENMARK (Jul 4 / Kr)

FINLAND (Jul 4 / Mkk)

FRANCE (Jul 4 / Frs.)

GERMANY (Jul 4 / Dm.)

GREECE (Jul 4 / Drachma)

ITALY (Jul 4 / Lira)

NETHERLANDS (Jul 4 / Fls.)

NORWAY (Jul 4 / Kroner)

POLAND (Jul 4 / Zloty)

PORTUGAL (Jul 4 / Escudo)

SPAIN (Jul 4 / Pts.)

SWEDEN (Jul 4 / Kronor)

SWITZERLAND (Jul 4 / Frs.)

TURKEY (Jul 4 / Tk Lira)

PACIFIC

JAPAN (Jul 4 / Yen)

AUSTRALIA (Jul 4 / Aust$)

		+/-	High	Low	Yld	P/E
	3.56	...	4.05	0.74	...	...
AAPC	0.89	-.01	*0.96	0.73	3.7	...
Abfoyl	3.58	-.11	4	2.50	2.0	38.1
Amcor	8.80	...	8.90	7.40	6.2	16.1
Amtis	8.70	-.10	9.01	8.25	3.0	33.5
Ashton	1.97	-.08	2.28	1.56	3.0	32.9
ANZ Bk	9.87xd	+.12	10.03	5.85	4.7	13.0
AusFou	2.57	-.01	2.60	1.73	4.2	26.0
AusGLt	7.78	-.07	8.08	5.08	6.2	18.0
ANI	1.59	-.02	1.63	0.95	12.6	5.1
AProvN	2.45	+.05	2.58	2.03	3.4	...
BHP	19.60	-.08	20.05	15.68	2.6	24.3
BkMelb	9.45	-.05	*9.75	8.01	5.0	...
Beacnf	1.40	-.12	2.30	0.95	...	...
Boral	4.28	-.08	4.40	2.91	3.0	23.1
BougCp	0.54	...	0.70	0.38	...	...
Brmbls	26.35	-.65	27.35	16.80	4.0	27.0
BrierlS	1.29	...	1.32	1.09	7.0	...
BrosPh	2.42	-.05	2.61	1.52	1.7	...
CSR	5.15	-.03	5.25	3.95	5.2	14.9
Caltex	4.60	+.10	5.50	4.10	5.4	19.5
CoProp	2.43	...	*2.60	2.18	7.2	...
CartHH	3.35xd	...	3.42	2.55	1.7	...
CCAmat	11	+.10	18.15	11	1.5	54.3
ColesM	6.95	-.09	7.12	4.34	3.2	28.8
Cinal	3.48	+.03	*3.56	3.21	...	...
Comalco	7.14	+.08	7.58	5.94	1.1	13.6
CommBk	16.06xr	+.04	16.15	9.74	5.6	...
Davids	1.24	-.01	*1.82	1.13	6.1	8.4
DefnS	2	-.02	3.45	1.84	...	...
Email	4.78xd	+.03	5	2.87	3.8	25.2
FAI	0.65	-.02	0.79	0.57	1.5	19.6
FC Bld	4.07xr	+.19	4.17	2.20	1.6	...
FC En	4.34xr	+.04	4.35	2.45	2.0	...
FC Pap	3.18xr	+.01	3.30	2.09	2.1	...
Fairfx	3.18	+.01	3.40	2.47	3.0	...
Fauldg	7.80	+.03	*8.70	7.19	2.3	...
Fdland	8.85	+.03	*9	6.90	3.4	...
Fostrs	2.45	...	2.74	2.02	4.5	16.4
Frkinc	3.62	+.02	*3.79	2.52	2.6	...
GnPrTr	2.66	+.02	2.70	2.16	7.6	13.3
GIO Aus	4.07	-.02	4.13	2.81	4.9	15.7
Gandel	1.05xd	+.03	*1.05	0.86	7.5	14.6
Gldfld	1.66	-.24	3.10	1.55	1.8	...
Gdmanf	1.92	-.01	2	1.20	3.1	...
GtCentl	2.38	-.14	3.95	2.31	1.3	13.0
HrdieJ	4.22xd	-.04	4.28	2.50	3.1	20.0
ICIAus	12.90xd	-.22	13.85	10.35	1.8	49.6
Jupitr	3.48	-.02	3.54	2.26	3.2	...
Kidstn	1.06	-.01	1.90	1.01	...	17.8
LendLs	29	-.50	29.72	18.20	3.3	24.4
Lion N	3.42	-.04	3.49	2.80	4.7	...
MIM	1.92	-.02	2.10	1.40	1.0	18.1
MayneN	7.89	-.05	8.99	7	4.5	...
McPhsn	2.48	-.04	3.95	1.53	...	11.8
MetMf	3.35	-.05	3.40	2.44	3.9	15.1
NAB	19.40xd	-.05	19.82	11.17	4.6	13.0
NatCon	0.84	...	1.11	0.76	8.4	3.2
NatMut	2.17	...	*2.20	1.74	1.8	17.5
NatFds	1.84	-.03	*2.06	1.38	3.0	...
Nwcrst	3.20	-.21	5.40	3.15	3.9	36.0
NewsCo	6.50	-.03	7.51	5.63	0.5	16.2
NormMn	1.41	-.05	2.19	1.32	4.3	...
North	4.96	...	5.28	3.28	2.6	30.8
OPSM	3.53	-.09	3.75	2.15	4.0	22.6
Orbtl	0.86	-.03	1.25	0.82	...	...
PMPCom	3.70	-.06	3.75	2.98	5.5	...
PacDun	3.71	+.02	3.92	2.38	3.8	...
Pasmnco	2.89	-.01	2.80	1.68	1.1	52.4
Pionin	5.08	-.15	5.26	3.27	4.5	17.9
Plutnc	4.11	-.07	6.60	3.90	1.0	...
PubBrc	8.05	+.06	8.05	5.10	2.2	18.3
QBE In	7.85	-.15	8.51	5.32	3.3	...
QCT Rs	1.80	+.01	1.86	1.61	8.2	14.5
QNI	2.51	+.07	2.87	2.26	4.4	...
Qantas	3.12	+.02	3.15	1.79	4.2	12.9
RGC	4.43	-.12	6.26	4.39	4.9	6.4
RioTin	22.43	+.03	23.35	17.25	2.9	18.0

HONG KONG (Jul 4 / H.K.$)

INDONESIA (Jul 4 / Rupiah)

MALAYSIA (Jul 4 / MYR)

NEW ZEALAND (Jul 4 / NZ $)

SINGAPORE (Jul 4 / S$)

SOUTH KOREA (Jul 4 / Won)

		+/-	High	Low	Yld	P/E
HvEngC	23,700	+200	*27,450	15,900	...	48.8
KorEP	27,400	+200	*32,300	24,000	1.6	18.6
KFstBk	3,850	-40	*5,150	2,670	1.3	36.3
LG Ele	19,100	+300	*19,700	9,500	1.0	21.6
PohgSI	66,100	+200	*67,000	36,200	1.5	7.4
SKTele	507,000	+9,000	*562,000	344,000	0.2	15.9
SamEle	72,500xr	+300	*75,000	42,016	0.8	2.5
SamgHl	11,400	+800	*11,400	5,600	...	18.2
Yukong	23,500	+500	*24,100	13,500	2.6	14.7

TAIWAN (Jul 4 / TW $)

		+/-	High	Low	Yld	P/E
Ct Ins	152xd	+7	*185	138	0.9	...
CH Bnk	118.50xd	+2.50	*130.6	103.18	0.8	...
ChiDev	141	-1	*148	83.50	...	...
ChiStl	29.30	-.10	*32.43	25	...	...
FrstBk	116.50xd	+3.50	*133.7	109	...	...
NYPstc	84	+2	*89	60	1.3	...
Shk Li	121	+7.50	*121	82.50	1.2	...
TatSed	120xd	+2	*130	37.19	...	...

THAILAND (Jul 4 / Baht)

		+/-	High	Low	Yld	P/E
AdvInF	302	-26	*362	132	2.0	...
BgkBkF	242	...	372	138	7.2	...
BgkLdF	22	...	*38	11.50	...	21.8
DSamF	37	-15	153	12	5.4	5.5
NTh F	37	-6.50	127	24.50	4.2	...
LndHsF	68xr	-8	248.88	26.23	7.4	...
PhThaF	57	-7	196	23.50	4.9	8.1
SmCemF	590	+8	1,378	402	3.4	11.7
SamCI	129	+3	306	73	6.2	...
SmCBkF	144	-15	394	83	4.9	7.1
TeleAs	41.25	+3.75	64	23.50	...	71.1
ThFrmF	132	-12	300	90	4.3	9.5

NORTH AMERICA

CANADA

TORONTO (Jul 4 / Can $)

4 pm close

Sales			+/-	High	Low
133478	AbitbC	26	+1/8	26 1/8	16 1/2
28335	AgnEag	12 3/4	-1/4	25	12 1/4
100842	AirCda	9 3/4		10 1/2	4 1/2
58434	AlbtaE	35 1/4	-1/8	35 1/2	24 3/4
160151	AlcnAl	47 3/4	+1/4	52 1/4	33 1/2
196362	AndExp	18 1/4		22 1/4	15 1/2
3950	AtcoCl	27 1/2	+1/4	29	18 1/4
63274	Avenor	26 1/4	-1/2	28	19 1/4
56200	BCSugA	15 1/4		16 1/4	10 1/8
208006	BC Tel	33 1/4	+1/4	33 1/4	26 1/4
145777	BCE ‡	42	+1/2	42 1/4	35 1/4
11016	BCE Mb	43 1/2		47 1/2	33 1/4
29170	BGR A	14 1/8	-1/4	19 1/2	14 1/4
1052959	BkMont	56 1/4	-1/8	56 1/2	22 1/4
1240892	BkNovS ‡	64 1/2	+1/8	64 1/4	31 1/2
787507	BrckGd	29 1/4	-1 1/4	41 1/2	27 1/2
18054	BeauEx	3.15	-.04	3.5	1.2

MONTREAL (Jul 4 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Jul 4 / Rand)

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Jul 4	Jul 3	Jul 2	1997 High		1997 Low	
Argentina							
General(29/12/77)	23348.74	23274.57	23029.72	23348.74	4/7	18237.37	2/1
Australia							
All Ordinaries(1/1/80)	2733.4	2742.9	2745.9	2745.90	2/7	2362.20	1/4
All Mining(1/1/80)	898.2	911.1	921.4	987.10	24/2	878.40	16/4
Austria							
Credit Aktien(30/12/84)	432.76	429.02	425.70	432.76	4/7	374.40	9/1
Traded Index(2/1/91)	1388.18	1381.40	1364.75	1388.18	4/7	1130.22	9/1
Belgium							
BEL20(1/1/91)	2473.18	2488.07	2444.93	2488.07	3/7	1871.06	2/1
Brazil							
Bovespa(29/12/83)	13493.0	13285.0	13260.0	13493.00	4/7	6985.80	2/1
Canada							
Metals Minls‡(1975)	5158.56	5166.38	5183.68	5801.76	10/3	4945.88	11/4
Composite‡(1975)	6585.40	6580.00	6549.00	6606.60	3/7	5579.30	14/4
Portfolio§§(4/1/83)	3336.83	3345.14	3333.01	3345.14	3/7	2848.02	11/4
Chile							
IGPA Gen(31/12/80)	5866.20	5846.27	5808.51	5866.20	4/7	4812.42	2/1
Denmark							
CopenhagenSE(3/1/83)	603.96	597.66	598.61	603.96	4/7	470.14	2/1
Finland							
HEX General(28/12/90)	3333.48	3295.08	3244.66	3333.48	4/7	2489.29	2/1
France							
SBF 250(31/12/90)	1914.71	1911.48	1896.29	1914.71	4/7	1533.18	2/1
CAC 40(31/12/87)	2934.48	2936.98	2909.45	2944.04	1/7	2298.97	2/1
Germany							
FAZ Aktien(31/12/58)	1330.22	1313.36	1306.09	1330.22	4/7	988.21	2/1
Commerzbank(1/12/53)	3925.50	3875.30	3842.80	3925.50	4/7	2876.98	2/1
DAX(30/12/87)	3942.53	3887.38	3854.78	3942.53	4/7	2848.77	2/1
Greece							
Athens SE(31/12/80)	1504.80	1493.53	1503.59	1727.70	23/5	864.58	2/1
Hong Kong							
Hang Seng(31/7/64)	14822.97	15055.74	(c)	16196.79	27/6	12055.17	3/4
India							
BSE Sens.(1979)	4323.82	4323.46	4333.90	4383.90	2/7	3225.24	2/1
Indonesia							
Jakarta Comp(10/8/82)	736.59	735.49	738.15	738.59	4/7	631.37	15/4
Ireland							
ISEQ Overall(4/1/88)	3451.16	3425.13	3412.50	3451.16	4/7	2226.07	2/1
Italy							
Banca Comm Ital(1972)	851.94	853.32	853.45	883.32	3/7	642.66	2/1
MIB General(2/1/97)	1280.0	1282.0	1283.0	1283.00	2/7	981.80	2/1
Japan							
Nikkei 225(16/5/49)	19968.08	20121.41	20198.42	20681.07	18/6	17303.65	10/1
Nikkei 300(1/10/82)	293.55	296.02	296.87	302.54	26/6	251.04	27/1
Topix(4/1/68)	1515.17	1526.85	1531.27	1560.28	25/6	1320.82	10/4
2nd Section(4/1/68)	1825.70	1835.91	1840.55	1848.25	30/6	1616.50	15/4
Malaysia							
KLSE Comp.(4/4/86)	1073.31	1080.61	1084.88	1271.57	25/2	1041.27	15/5
Mexico							
IPC(Nov 1978)	(u)	4591.62	4558.23	4591.62	3/7	3358.46	2/1
Netherland							
CBS TtlRtnGen(End 83)	1077.2	1066.8	1043.5	1077.20	4/7	730.80	2/1
CBS All Shr(End 83)	622.4	616.4	602.9	622.40	4/7	428.00	2/1
New Zealand							
Cap. 40(1/7/86)	2526.65	2519.68	2493.16	2526.65	4/7	2207.48	1/4
Norway							
Oslo SE(Ind)(2/1/83)	2100.75	2083.36	2058.52	2100.75	4/7	1639.03	2/1
Philippines							
Manila Comp(2/1/85)	2758.96	2742.42	2764.89	3447.80	3/2	2489.38	20/5
Portugal							
BVL 30(4/1/93)	3342.03	3322.45	3241.56	3342.03	4/7	2165.57	2/1
Singapore							
SES All-S'pore(2/4/75)	493.75	491.21	490.48	573.03	17/2	479.94	23/4
South Africa							
JSE Gold(28/9/78)	952.1♥	985.2	964.7	1588.10	27/2	952.10	4/7
JSE Ind.(28/9/78)	8801.9♥	8829.8	8832.5	8832.50	2/7	7863.50	2/1
South Korea							
KoreaCmpEx**(4/1/80)	781.70	775.26	777.25	792.28	17/6	611.05	7/1
Spain							
Madrid SE(30/12/85)	625.79	625.30	618.36	625.79	4/7	434.54	2/1
Sweden							
AffarsvarldenGen(1/2/37)	3114.3	3088.0	3042.7	3114.30	4/7	2278.50	2/1
Switzerland							
SMI Index(1/7/88)	5846.5	5804.9	5674.3	5846.59	4/7	3822.90	7/1
SPI General(1/6/87)	3679.86	3655.52	3585.25	3679.86	4/7	2506.22	6/1
Taiwan							
Weighted Pr.**(30/6/66)	9192.57	9027.63	8986.72	9192.57	4/7	6844.75	6/1
Thailand							
Bangkok SET(30/4/75)	657.08	617.99	568.72	858.97	22/1	464.77	19/6
Turkey							
IMKB Nat 100(1986)	1918.00	1912.00	1873.00	1918.00	4/7	985.00	2/1
WORLD							
MS Capital Int.$(1/1/70)	(u)	962.8*	951.2	982.80	3/7	794.80	14/4
CROSS-BORDER							
Eurotrack 100(26/10/90)	2618.41	2583.64	2565.92	2618.41	4/7	1880.80	2/1
FTSE E 100(26/6/90)	2216.28	2205.44	2159.21	2216.28	4/7	1582.98	2/1
HSBC JC Drgn(31/12/88)	(u)	428.15	428.41	429.46	[illegible]	381.54	25/4
ING Brngs Emrg(7/1/92)	196.27	193.84	191.98	196.27	4/7	159.74	3/1

INDEX FUTURES

■ CAC-40 (200 x Index)

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jul	2930.0	2938.0	-2.0	2950.0	2917.0	8,999	31,748
Aug	2938.0	2948.5	+1.5	2948.5	2938.0	11	1,862

■ DAX

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Sep	3960.0	3970.0	-9.0	3976.0	3939.5	13,850	85,511
Dec	3975.5	3989.0	+7.5	3987.0	3975.5	14	1,479

■ OMX

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jun	2480.00	2484.00	-26.00	2498.00	2480.00	1,830	24,354
Jul	2498.00	2506.00	+32.50	2506.00	2496.05	45	664

■ SOFFEX

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Jul	5787.0	5847.0	+25.0	5852.0	5787.0	3,079	22,435
Aug	5811.0	5853.7	-82.0	5847.0	5811.0	5,179	448

** Sat June 28: Taiwan Weighted Price 9024.48; Korea Comp Ex 748.89. Base values of all indices are 100 except Australia All Ord and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, SPI, Euro Top-100, ISEQ Overall, Toronto Comp./Met & Mins, DAX - all 1,000; SMI - 1500; JSE Gold - 255.7; JSE 20 Ind - 264.3; IMKB Nat 100 - 1; NYSE All Common - 50; Stand & Poor's - 10; and Amex Comp - 550. §§ Montreal ‡ Toronto (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Jul 4 - 3949.73 +7.00 † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock, whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's. ♥ Subject to official recalculation.

US INDICES

Dow Jones	Jul 3	Jul 2	Jul 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7835.81	7795.38	7722.33	7895.81 (3/7)	6391.69 (11/4)	7895.81 (3/7/97)	41.22 (8/7/32)
Home Bonds	103.47	103.23	103.08	103.63 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2797.60	2787.66	2744.86	2797.60 (3/7)	2222.07 (2/1)	2797.60 (3/7/97)	13.23 (8/7/32)
Utilities	232.77	230.97	228.25	240.85 (22/1)	209.47 (25/4)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 7852.35 (7814.39) Low 7805.78 (7648.14) (Theoretical♣)
Day's high 7896.26 (7795.38) Low 7796.97 (7697.45) (Actual♣)

Standard and Poors	Jul 3	Jul 2	Jul 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	916.92	904.03	891.03	916.92 (3/7)	737.01 (2/1)	916.92 (3/7/97)	4.40 (1/6/32)
Industrials♥	1077.04	1062.44	1048.10	1077.04 (3/7)	865.42 (11/4)	1077.04 (3/7/97)	3.52 (30/6/32)
Financial	105.75	103.80	101.75	105.75 (3/7)	80.75 (2/1)	105.75 (3/7/97)	7.13 (4/9/74)
NYSE Comp	477.68	471.71	466.01	477.68 (3/7)	389.47 (11/4)	477.68 (3/7/97)	4.64 (25/4/42)
Amex Comp	634.34	630.06	625.61	634.34 (3/7)	541.20 (28/4)	634.34 (3/7/97)	524.20 (16/7/96)
NASDAQ Comp	1467.61	1455.61	1438.25	1467.61 (3/7)	1201.00 (2/4)	1467.61 (3/7/97)	54.87 (3/10/74)

■ RATIOS

	Jun 27	Jun 20	Jun 13	Year ago
Dow Jones Ind. Div. Yield	1.67	1.65	1.64	2.19
	Jul 2	Jun 25	Jun 18	Year ago
S & P Ind. Div. yield	1.58	1.62	1.59	1.87
S & P Ind. P/E ratio	24.75	24.35	24.27	22.29

■ NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Close price	Change on day
Office Dpt	6,594,500	16 5/8	+1/8
Philp Morris	5,943,500	45 3/4	+1 1/2
LSI Logic	5,084,400	31 3/4	+2 1/4
Pharm Upjhn	3,719,300	37 1/8	+1 3/4
AT&T	3,669,600	36	...
PepsiCo	2,954,200	38 5/8	+1/8
Banc One	2,953,900	49 5/8	-1/4
Boeing	2,905,800	55 1/8	+1/4
Compaq	2,882,500	69 3/4	+1 3/4
Chase Man	2,639,400	103 1/4	+3/4

■ TRADING ACTIVITY

● Volume (million)

	Jul 3	Jul 2	Jul 1
New York SE	374.580	526.784	544,892
Amex	16.766	24.218	20.121
NASDAQ	376.459	631.492	594.705
NYSE			
Issues Traded	3,313	3,388	3,384
Rises	1,984	1,847	1,693
Falls	753	967	1,348
Unchanged	576	574	553
New Highs	544	385	255
New Lows	7	13	11

■ S&P 500

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	914.90	915.50	-	929.00	922.50	54,024	177,246
Dec	932.35	925.35	-	938.50	932.35	198	5,014

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	20060.0	19910.0	-260.0	20150.0	19890.0	21,954	167,087
Dec	19980.0	19950.0	-230.0	19980.0	19930.0	1,968	3,423

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Friday, July 4, 1997

	Stocks Traded	Closing Prices	Change on day
Nippon Steel Cp	9.5m	353	-4
Yaohan Japan Cp	6.4m	203	-14
Fujitsu	4.6m	1530	-20
NKK Corp	4.2m	234	-5
Sakura Bank	4.2m	830	-6
Hitachi	3.5m	1260	-20
Itochu Corp	3.0m	565	-25
Mitsubishi Chem	3.0m	384	-4
Kubota Corp	3.0m	543	-6
Tokyo Gas	2.8m	318	+3

FT GUIDE TO THE WEEK

MONDAY 7

EU tax debate

Finance and economics ministers of the European Union member states will consider a voluntary code of conduct in Brussels to stop predatory tax competition. Luxembourg, which took over the six-month presidency from the Netherlands last week, is a prime tax haven but has pledged to make drafting such a code a priority. Ministers will set the agenda for the next six months, discuss measures to improve co-ordination of monetary policy before the introduction of the euro currency, and hear a Commission analysis of Italy's progress towards meeting monetary convergence targets. It will also consider ways to boost employment, following a request from France to balance monetary union with the need to create jobs.

Trade union celebrations

The 75th anniversary of the Transport and General Workers' Union will be celebrated this week in Brighton, where it is holdings its biennial conference. It will be a trip down memory lane. The last three surviving former general secretaries of the UK trade union will be on parade – Mr Jack Jones, Mr Moss Evans and Mr Ron Todd – and a bust of their rumbustious predecessor Frank Cousins will be unveiled. Mr John Prescott, Labour deputy leader, will bring greetings from old Labour. With the British Airways cabin crew strike looming and the Liverpool dockers approaching the second anniversary of their dispute, the TGWU will also have two live conflicts to wrestle with.

Holocaust payments

Switzerland is expected to announce the first payments from its newly-created fund for holocaust victims. The SFr265m ($180.8m) private sector fund, which was set up with a SFr100m contribution from Swiss banks, is part of the country's effort to repair its international image following allegations about its wartime profiteering from dealings with Nazi Germany. The fund, administered by four Swiss and three appointees of the World Jewish Restitution Organisation, aims to support people in need who were persecuted for reasons of race, religion or political views. Their descendants will also qualify. Applications for support have to be channelled through organisations devoted to the interests of the beneficiaries.

Israel cabinet moves

Mr Benjamin Netanyahu, the Israeli prime minister, is expected to announce a cabinet reshuffle this week. Mr Ariel Sharon, infrastructure minister, is expected to be finance minister. A commission had found Mr Sharon indirectly responsible for the deaths of hundreds of Palestinians in camps close to Beirut in 1982 when he was defence minister. If he is given the finance portfolio, he will be charged with reducing the budget deficit from 4 per cent of gross domestic product last year to 2.8 per cent this year, an ambitious target as growth in the economy slows from 4.4 per cent to an estimated 2.6 per cent in 1997.

Vaclav Havel, president of the Czech Republic, aims to advance his country's ambition of joining Nato at this week's Madrid summit

Korean bribery trial

The second son of Mr Kim Young-sam, South Korea's president, is due to stand trial on tax evasion and bribery charges. The trial had been delayed to give both sides adequate time to prepare. Prosecutors allege Mr Kim Hyun-chul had received Won6.61bn ($7.45m) from businessmen, of which Won3.22bn was a bribe accepted in exchange for favours. They maintain he evaded Won1.48bn in taxes. Under Korean law, Mr Kim could be jailed for life for tax evasion.

Nato enlargement

After almost 50 years' existence, Nato begins a new life at a summit in Madrid which is set to open the door to entry by former adversaries. Heads of state and government from the 16 Nato members and up to 28 other countries are due to attend the two-day meeting. The allies are agreed on opening entry talks with Poland, Hungary and the Czech Republic – all of which used to be in the Warsaw Pact – although some wanted to start entry procedures for Slovenia and Romania as well. Nato is also due to conclude an agreement with Ukraine, similar to the one it signed with Russia in Paris in May, in response to the qualms its enlargement plans have created. What is still unclear is where the future new members will fit in Nato's military set-up which is still in the process of being redesigned.

TUESDAY 8

Sudan peace bid

The latest effort to end the civil war in Sudan gets under way when Mr Daniel arap Moi, the Kenyan President, hosts a two-day meeting in Nairobi of the regional Inter-Governmental Authority on Development. Sudan's southern rebel leader, Mr John Garang, who heads the Sudan People's Liberation Army, has been fighting since 1983 for greater autonomy of the Christian and animist south from the Moslem north. The summit will also cover Sudan's stormy relations with neighbouring Eritrea, Ethiopia and Uganda.

Malaysian visit

King Tuanku Ja'afar of Malaysia starts his eight-day state visit to China to boost bilateral ties. Both countries believe there are considerable opportunities for further co-operation in air services, tourism, culture and education, trade and investment. Malaysia's total trade with China stood at approximately Yn10bn in 1996. The balance of trade for the past year was in Malaysia's favour. Mr Jiang Zemin, the Chinese president, visited Malaysia in late 1994 on the 20th anniversary of the establishment of Sino-Malaysian diplomatic ties. Mr Mahathir Mohamad, Malaysia's prime minister, visited the Chinese capital in August last year.

WEDNESDAY 9

London views

Two outstanding views of 18th century London, one depicting the City, the other Westminster, will be the highlight of Sotheby's auction of British paintings from 1500 to 1850. They were painted by the Italian artist Antonio Joli around 1750 and should each fetch up to £800,000. The paintings are being sold by the NatWest Group, which acquired them in the 1960s. The money raised will go towards buying modern art for the group's new Lothbury Gallery which has been created in its old City banking hall.

Change of brew?

Cade, the Brazilian competition watchdog, is expected to order Anheuser-Busch, the world's largest brewer, and Antarctica, the Brazilian brewer, to unwind a joint venture in Brazil when it meets today. In a preliminary decision two weeks ago, Cade voted against the joint venture, however, one of its members asked for more time to analyse the situation before a final decision was made. Last month Cade ordered Miller Brewing and Brahma, Brazil's largest brewer, to dissolve a joint venture formed in 1995, arguing that Miller of the US could have entered the market independently.

Retail 'bomb'

Mr Robin Guenier, head of Taskforce 2000, the agency set up to raise awareness of the millennium bomb, will present his most recent findings at a London conference sponsored by ICL, the computer company. The conference will concentrate on retail issues. The "bomb", the inability of most computer systems to distinguish between the 20th and 21st century, has an obvious significance for retailers with a plethora of sell-by dates to manage. One has already ditched a consignment of food because the computer thought it was 100 years past its sell-by date.

Soccer

Draw for qualifying rounds of European Champions League, Uefa Cup and Cup Winners' Cup.

THURSDAY 10

Nigerian review

Nigeria's suspension from the Commonwealth will come under review when the 53-member association's ministerial action group holds a two-day meeting starting today in London. The group will take evidence from opposition parties, civil rights groups and other interested parties in preparation for the biennial Commonwealth heads of government summit in Edinburgh in October. General Sani Abacha, Nigeria's military leader, has defied Commonwealth efforts to bring about a rapid return to democracy, but has embarked on a phased transition to civilian rule, culminating in presidential elections in August 1998.

FT Surveys

Wales (all editions) and FT Exporter (All European editions only).

FRIDAY 11

Bonn budget approval

The Bonn cabinet will give its approval to a draft federal budget for 1998 which is likely to bank on record privatisation proceeds to keep down new borrowing to around DM58bn ($33.7bn). The government will also be forced to agree a supplementary budget for 1997 as a preliminary to obtaining parliamentary approval for sharply higher than expected borrowings that have resulted from the escalating costs of unemployment and slow growth in tax revenues. The spending plans of Mr Theo Waigel, the finance minister, should also settle the fate of the four-nation $66bn Eurofighter and the 75,000 jobs in Germany, the UK, Italy and Spain that hinge on the project.

Central American summit

Central America's regular six-monthly presidential summit to discuss regional integration is due to take place in Panama today and Saturday. Institutional reorganisation aimed at giving impetus to the slow and troubled economic integration process is expected to be at the top of the agenda. Local analysts expect the six-country summit to produce an agreement to merge the regional bodies into a super secretariat. A draft of a free trade agreement between Central America and Panama is also on the cards. Panama is not a member of the Central American Common Market but has bilateral agreements with each of the core region's members.

Japanese reshuffle

Japan's Ministry of Trade and Industry kicks off the annual round of bureaucratic reshuffling, with the appointment of Mr Osamu Watanabe as vice-minister – the top job in the ministry – to replace Mr Tsutomo Makino. Other ministries will follow suit over the coming weeks, as civil servants at all levels take part in a musical-desks operation. At the Ministry of Finance, Mr Eisuke Sakakibara will become vice-finance minister for international affairs, moving on from his current role as director-general of the international finance bureau. The summer season is also the time when retiring bureaucrats take up directorships or advisory roles in the private sector in a process known as *amakudari*, or "the descent of the gods".

FT Survey

Global Custody.

WEEKEND 12-13

Height of contention

A controversial new building opens at Kyoto station on Saturday. The building was planned as part of the celebrations for the 1,200th anniversary of the Japanese city's foundation, but ended up being an object of contention between conservationists, particularly priests at the city's many temples, and pro-development business interests in the ancient former Japanese capital. The 58m high, 400m wide, modernistic concrete and glass building will house a hotel and an Isetan department store, as well as other shops and restaurants. In nearby Osaka, the world's highest ferris wheel – 112.5m – also opens to the public on Saturday, at Tempozan Harbour Village, a leisure complex.

Boxing

Lennox Lewis (Britain, holder) takes on Henry Akinwande (Britain), in the WBC heavyweight boxing championship, Lake Tahoe, Nevada, (Saturday).

Motor racing

British Grand Prix at Silverstone (Sunday).

Compiled by Bob Vincent
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ECONOMIC DIARY

Other economic news

Monday: German retail sales in May, to be released sometime this week, are expected to have been depressed because of high unemployment. The markets are looking for an annual fall of 2 per cent.

Tuesday: German unemployment in June is likely to have remained high. The markets expect little change in the seasonally adjusted rate, which stood at 11.4 per cent in May.

Wednesday: French consumer confidence is expected to have stabilised in June, because of optimism after the elections. At an indicator level of minus 32, overall confidence remains low.

Thursday: The monetary committee of the Bank of England starts its monthly monetary meeting – extending over two days – accompanied by intense speculation that there will be a rise in base rates by about 0.5 points from a current level of 6.5 per cent.

Friday: After five months of decline, US producer prices may have headed upwards again in June. But as yet there is little concern about an overall pick-up in factory gate prices.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	May industrial production*	0.0%	1.2%
July 7	UK	May industrial production**	1.0%	2.2%
	UK	May manufacturing output*	0.2%	0.6%
	UK	May manufacturing output**	2.5%	2.3%
	Japan	June overall wholesale price ind*	-0.5%	-0.7%
	Japan	June overall wholesale price ind**	2.2%	2.7%
	Japan	June domestic wholesale price ind**		1.9%
Tue	Germany	June unemployment† pan-Germany	10k	56k
July 8	Germany	June unemployment† west	5k	25k
	Germany	June unemployment† east	5k	30k
	Germany	April employment† west	5k	25k
	Germany	June vacancies† west		2k
	Germany	June short time not† west		-44k
	UK	June retail price index*	0.2%	0.4%
	UK	June retail price index**	2.8%	2.6%
	UK	June retail price index X**	2.5%	2.5%
	US	BOT-Mitsubishi July 5		0.1%
	US	Redbook July 5		1.7%
	US	May consumer credit		$7.6bn
	Japan	May current account (IMF) not†	Y920bn	Y356bn
	Japan	May trade balance (IMF) not†		Y425bn
	Japan	May foreign bond investment		Y2,600bn
Wed	Canada	June housing starts, units	155k	152k
July 9	US	May wholesale trade		UNCH
Thur	Japan	May machinery ord ex-elec & ships**	1.5%	-6.1%
July 10	Japan	May machinery ord ex-elec & ships	5.4%	7.2%
	US	Initial claims July 5		337k
	US	State benefits June 28		2,351k
	Canada	June raw materials price ind (adv)*	0.6%	2.5%
	Canada	May motor vehicle sales*	2.5%	-4.9%
	Canada	June help wanted index†	107	106
Fri	France	June consumer price index prov*	0.0%	0.2%
July 11	France	June consumer price index prov**	1.0%	0.9%
	Spain	June core consumer price index*	0.1%	0.1%
	Spain	June core consumer price index**	1.8%	1.9%
	Spain	June total consumer price index*	0.1%	0.1%
	Spain	June total consumer price index**	1.6%	1.5%
	Canada	June employment†*	0.3%	0.4%
	Canada	June unemployment rate	9.4%	9.5%
	US	June producer price index		-0.3%
	US	June PPI ex-food & energy		-0.3%
	US	June bank credit		2.3%
	US	June C & I loans		7.7%
During the week...				
	Spain	June registered unemployment	13.1%	13.3%
	Germany	June final cost of living* west		0.4%
	Germany	June final cost of living** west		1.5%
	Germany	June cost of living* pan-Germany	0.2%	0.4%
	Germany	June cost of living** pan-Germany	1.7%	1.6%

*month on month, **year on year, † seasonally adjusted

Statistics, courtesy MMS International.

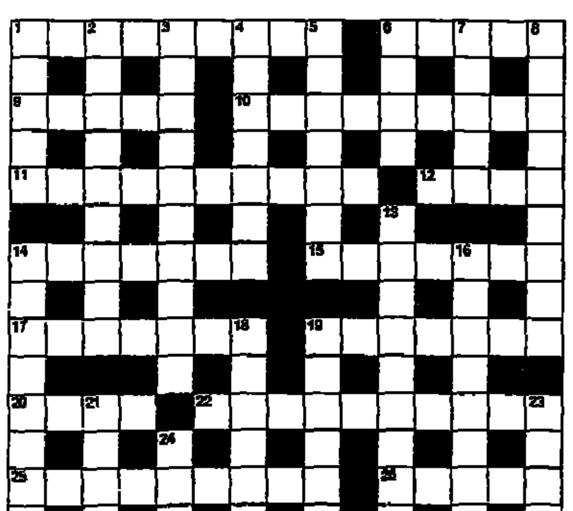
MONDAY PRIZE CROSSWORD
No.9,420 Set by GRIFFIN

ACROSS

1 Plot to increase cover for retired persons? (9)
6 Hence a top firm .... (5)
9 ... arranged car to get performer (5)
10 Puzzling quote about morning drink being withdrawn (9)
11 All-powerful MEP not into travelling (10)
12 A drink with the Maidenhead XI (4)
14 Bird sore on having ring removed (7)
15 Reserved and unusually staid books (7)
17 Way letter comes when Irma's in trouble (7)
19 Went downhill fast, having misled G. Edwards a bit? (7)
20 Make mother take off with it in plane (4)
22 Men using brushes win lottery (10)
25 George is after orange-coloured perfume ingredient (9)
26 Black mule into rap (5)
27 Rogue returned key to vehicle, Kay said (5)
28 Naughty Andrew's taking Elizabeth into the Rovers! (9)

DOWN

1 Well done brown eggs turned up (5)
2 It sets off up a famous hill (9)
3 Help repair broken-down Minor (10)
4 Always to the north of one side of Liverpool (7)
5 Planned to drop old Bob as thought fit (7)
6 Well before the first person, for certain (4)
7 Lissom Leatherhead man accepts it (5)
8 Killed many of French detectives hiding colleague (9)
13 Seeming so bent, lies in ruins (10)
14 Boycott sailor's game (9)
16 To make things worse gag Vera at broadcast (9)
18 Watts brother sad about being unintellectual (7)
19 Boy taking test in crumpled hat (7)
21 A little taken aback I swallowed a bone (5)
23 Quits first team dropped from competitions (5)
24 Hill books room and eats, first of all (4)



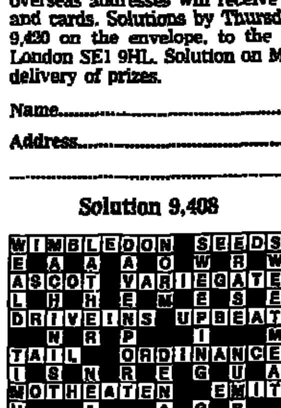
Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday July 17, marked Monday Crossword 9,420 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday July 21. Please allow 28 days for delivery of prizes.

Name..

Address..

....

Solution 9,408



WINNERS 9,408: Mrs P. Codd, Mayfield, East Sussex; B.J. Dell, Newquay, Cornwall; C.R. Fenton, Gerrards Cross, Bucks; Mrs J.L. Patching, Rotherham, South Yorkshire.

In Crossword 9,408, the answer at 5 down was clued twice, at both 5 down and 6 down; the correct clue to 6 down was omitted. We apologise for the error. The answer at 6 down was discounted in selecting otherwise correct solutions as prizewinners.

JOTTER PAD

صكنا من الاصل

BUSINESS EDUCATION

Ethical initiative

Voluntary sector workers are being taught to show entrepreneurial flair, writes Della Bradshaw

A business school for the voluntary sector is being set up in London's East End. The school will train students to bring the same enterprise to the not-for-profit sector that business entrepreneurs bring to wealth creation.

With financial backing from the HSBC group, the School for Social Entrepreneurs will be officially launched on Wednesday by chairman Michael Young (Lord Young of Dartington), founder of the Consumers' Association and the National Consumer Council.

Social entrepreneurship is flavour of the month in the UK, with Labour prime minister Tony Blair giving his personal backing to the idea after the May election. But school director David Stockley says plans for the school have been on the drawing board for more than 18 months and it would have gone ahead regardless of the election result.

Social entrepreneurship is part of the curriculum at several business schools – Harvard is particularly noted for its work in the area. But Stockley, former chief executive of EMI International and himself an MBA from the class of 1974 at Insead in Fontainebleau, believes the school will fill a gap for the not-for-profit sector.

"The course will be a combination of material about how to promote innovation in a businesslike way with an altruistic and high-minded theme," he says.

Although dubbed a "business school", the school for social entrepreneurs provides neither the breadth of study nor the qualifications of a university. The 20 students on the first one-year course, which will begin in January, will undergo a two-month teaching period followed by a nine-month placement to carry out a project – usually in the charity for which the student already works.

There will be no formal qualifications, but Stockley believes qualifications are not the aim of the students. All those who complete the course will become members of a fellowship, a mutual support group which will act as an agent for innovation in the future.

Joanna Howlett, who works for an industrial company and has applied to join the first course, agrees. She is also interested in studying at Bath University on its two-year, part-time master of science degree in responsibility and business practice, which is offered in conjunction with Anita Roddick's New Academy for Business. "The fact that one is more of a real degree is not of much interest to me at the moment," she says.

Howlett, 26 years old, is interested in bringing socially responsible values into a commercial organisation. She says: "You can have a profit-making company which works for its employers and its customers – not just its shareholders."

London hunts for principal

The talk at London Business School these days is not about which courses are the most popular or how hard the exams are, but who is going to be the new principal of the school following George Bain's departure in December this year.

Will it be an insider? Will it be someone from another business school? Or will it be a top executive?

An accomplished executive has strong appeal for a school which has set fundraising as its priority for the next 10 years. But although a salary of £138,000 – Bain's remuneration – would be good news for most academics, it may not attract the calibre of applicant from the business sector that the school would need.

As a school which trades on its international status, and runs a two-year American-style MBA programme, non-UK applicants may well be favoured – particularly applicants from the US (Bain is Canadian).

The problem for LBS is that there has been a huge churn recently in US schools and these days deans' jobs are two-a-penny there.

Increasingly the gossip is focusing on two internal applicants. They are deputy principal and marketing professor Tom Robinson and David Curry – now Lord Curry of Marylebone.

Robinson, an American, is a particular favourite with students and his marketing expertise could give him an edge in the battle to raise funds. On the other hand, Curry, a Labour peer, is tipped as favourite to unite a fractious faculty and has strong government links.

With applications closing tomorrow, LBS should announce the new boss by the end of the year.

DB

NEWS FROM CAMPUS

Hong Kong gets executive boost

Hong Kong's transition to Chinese rule has not lessened the need for strong management education in the region.

The Hong Kong university of science and technology has got together with the Kellogg graduate school at Northwestern university to develop an executive MBA programme which will begin in spring 1998.

Teaching on the 18-month programme is shared equally and graduates receive a joint degree.

HKUST: Hong Kong, 2358 7533

Big fish help small fry

Madrid-based business school Instituto de Empresa has signed a £500,000 deal with Microsoft and Hewlett Packard for the two companies to help small and medium-sized companies to exploit the latest technology.

The two companies have joined a consortium set up by the school to advise small companies on how to achieve a competitive edge.

Instituto de Empresa: Spain, 1 411 6931

Decorators move in at Chicago

Chicago's graduate business school is spending $4.3m refurbishing its four main classrooms and the student lounge and cafeteria. The interview rooms used by recruiters and the foyers of the two main buildings are also being refurbished.

The redecorations should be complete by the time students return.

Chicago: US, 773 702 9232

Old boy brings Blyth spirit

The Wharton school at the university of Pennsylvania has been given a $10m (£6m) gift from entrepreneur Robert Georgen, chairman and chief executive of candlemaker Blyth Industries, to set up the Georgen entrepreneurial management programme. Georgen got his MBA from Wharton in 1962.

Wharton: US, 215 898 5000

MARKETING

A strategy conjured out of an inheritance

Alison Smith on Reckitt & Colman's global ambitions

A Glassex bottle dressed as a knight and marching in front of a television set is not just defending the TV against dust, but carrying the standard for a new marketing strategy adopted by its maker, UK household goods company Reckitt & Colman.

The television campaign, which has just launched in Spain, illustrates the company's switch to global category management in two ways.

First, the same products will be advertised in the same way in Spain, Italy, Portugal, Holland and Greece.

Second, the original brand of cleaning product – Glassex – is being used as a basis for new variants – in this case, anti-static and kitchen versions.

This latest example of R&C's marketing strategy highlights the question: how well is the new approach, initiated by Vernon Sankey, the company's chief executive, working?

Phillip Darnton was brought in from Unilever in May last year to be R&C's first board-level marketing director. He says the change from a country-driven approach in which profit and loss rested with teams of managers around the world to a category-driven approach that is based on a mix of geography and groups of brands is still evolving.

"When the whole idea of managing the business with categories first developed, four categories were chosen: lavatory, air care, surface care and pest control.

"After the first 12 months, three others were chosen as well: shoe care, floor care and furniture care. Laundry has the potential to be a global category but at the moment it is a mix of products."

While the first four categories each has a global category manager, no such post exists for the other three. Instead, where a category is strong in two or three regions the regional marketing director in the region where it is most important is the lead director.

Darnton's years with Unilever have given him experience in business where brands are important, but he is conscious of the difference between the two companies' methods. R&C's top brands include Dettol, Mr Sheen and (in the US) Lysol.

"Unilever and Proctor & Gamble have quite small portfolios in any given area, and work very hard to distinguish their brands which have very much the same functions. We have a very wide portfolio – lots of brands in very small categories. The trick is to be big in those categories."

For R&C, the trick is that much harder to pull off because the areas where its brands are strong seem almost random.

"The importance of a particular category doesn't follow a pattern," says Darnton. "Shoe polish may be important in Brazil and India, and floor polish in India and North America. It's a question of inheritance."

Despite its emphasis on global management, R&C is trying not to become enmeshed in harmonisation for its own sake. Darnton acknowledges, however, that making sense of the wide range of existing brands can make it hard to focus on research and development, where the company's competitive edge should begin.

"You can often end up arguing like crazy about surface design – where there is probably the least value added – when you should be arguing about whether the formulation meets consumer needs," he says.

Mark Lynch, an analyst with SBC Warburg, believes R&C's change to global category management is an improvement, but says there is scope for more progress.

"Global research and development should enable the company to come up with a product in one country and roll it out across various markets faster than before, but we still haven't seen any great acceleration in new product development activities," he says.

"The area where there is still more to be done is in new markets. If you look across Eastern Europe, they are basically not there."

So far, the new system has helped R&C to manage and market its inheritance better than before. Its real achievement would be to enable the company to build on that inheritance.

Ad in the News • Ford Puma

Car with star appeal

More than 6,000 advertising luminaries from around the world gathered in Cannes at the end of last month for the 44th International Advertising Festival.

Many of those ploughing through the 4,000-plus commercials were searching for the multinational advertiser's Holy Grail: the simple idea that crosses borders and appeals to people on the same level in different markets.

Unfortunately, most of the awards were for ads created specifically for local markets.

The new Ford Puma campaign was created too late for this year's festival, but expect to see it shine at the 45th. Designed to launch Ford's new sporty coupé across Europe, it contains that instantly recognisable idea those multinational agencies' clients seek.

Essentially, the late, great Steve McQueen drives a Ford Puma through the streets of San Francisco in the manner in which he drove a 1960s Ford Mustang in his classic movie *Bullitt*.

Man and machine: Steve McQueen drives again

Footage from the film, supplied by Warner Brothers, is combined through the use of extraordinary computer technology with footage of a Ford Puma. The car follows one of the routes the Mustang took in the film.

As McQueen "drives" around the city, the car receives admiring glances from passers-by ranging from a traffic cop to a beautiful woman out walking. Finally he pulls into his garage where he parks the Puma alongside the original Mustang.

Set against *Bullitt's* upbeat soundtrack, the commercial is astonishingly well done, with a lightness of direction marred only in the last scene where McQueen spies his beaten up old motorcycle (from *The Great Escape?*) in the garage, but pats the Puma affectionately.

Some may find the choice of McQueen, who died in 1980, distasteful. But Ford's agency, Young and Rubicam, took no chances and obtained permission from the actor's estate.

No one could afford any risks. Ford is spending \$30m (£18m) advertising the Puma's launch across Europe. Using a celebrity is a tried and trusted formula in times of great risk, but it is not so easy to find the kind of star with universal appeal, particularly to the potential European coupé-buying market. Beyond Grand Prix drivers it is difficult to see any European being suitable; even then, nationalistic feelings muddy their images.

So a macho Hollywood heart-throb is the perfect choice. As Ford's press release states without irony: "Steve McQueen represents the Puma's character – the exhilarating drive, the true style, the daring personality."

Ford is to be congratulated for continuing its attempts to improve the once dismal quality of its ads. Now it's up to the car to perform.

Stefano Hatfield

The author is editor of Campaign

BRANDING

Cafe society

London's traffic-choked Piccadilly has its own rainforest complete with a waterfall, a thunderstorm every 20 minutes, parrots, miles of plastic foliage and a robotic gorilla.

The Rainforest Cafe, a 340-seat £5.5m themed restaurant which opened recently, is the latest entrant in the British "entertainment" market.

It is operated as a joint venture between US-based Rainforest Cafe Inc. and British company Glendola Leisure. Director Peter Salussolia says: "It's a winning concept that does not rely on personalities like some other themed restaurants. We plan to open five of them in the UK and Ireland in the next 10 years."

Themed restaurants are big business. Where once a meal out meant a candlelit dinner for two, it has now become a "dining experience" for the whole family.

Like other themed restaurants the Rainforest Cafe will concentrate on merchandising. Before reaching their seats, diners will be guided past a "retail village" which sells branded clothing, toys and games.

According to market research company Mintel, themed restaurants are expected to open at a rate of 15 to 20 a year in the next five years and could account for one in 10 restaurant meals by 2001. Currently two-thirds of adults under 24 have visited one sort of themed restaurant or another.

The Rainforest Cafe will compete with several celebrity, music and sports themed restaurants such as Planet Hollywood and the Fashion Cafe.

Helen Jones

MARKETING

Time to be forward-looking

Brand owners risk under-estimating consumers' enthusiasm for the millennium and many are leaving plans for millennium-linked marketing activities too late, according to research published by the advertising agency AMV.BBDO.

Companies should be planning how to capitalise on the event and prepare rounded communications strategies, ideally focused on community-linked or cause-related campaigns, the agency claims.

Few in the UK, however, are doing so. Marks and Spencer and British Aerospace are exceptions, with executives already appointed to develop millennium marketing strategies.

"There is a feeling the millennium is important, but that it's something to be thought of later," says AMV.BBDO account services director Cilla Snowball.

The agency worked with research company RSL to gauge just what opportunities the millennium offers. It conducted qualitative and quantitative research among 1,200 opinion formers, consumers and brand owners.

"We set out to establish to what extent the millennium is perceived by the public to be a defining moment, what activities brands could do to exploit this and whether millennial fever will outweigh millennial nausea," Snowball explains.

The findings reveal consumers' enthusiasm is far greater than suggested by media coverage, which to date has concentrated on the Millennium Exhibition in Greenwich.

They also suggest brand owners will have to tread a fine line between reaping the positive effects of a millennium association and provoking accusations of merely cashing in.

"Consumers' first instinct is that it's a great excuse for a party," Snowball says. "Their second is cynicism: 'Who's going to rip us off?'

"Beyond that there is a genuine desire to address fundamental issues. It is overwhelmingly seen as a time to stop, take stock and start again."

Millennium-related marketing should, therefore, not rely on superficial associations, such as passing references in advertising copylines or topical one-off promotions.

Community and social causes offer greater strategic opportunities for brands, the findings show. This is endorsed by separate research from Saatchi & Saatchi agency showing that three-quarters of consumers believe businesses and organisations should use the year 2000 to rethink their aims, and take their social and environmental responsibilities more seriously.

Meg Carter

MARKETING / ADVERTISING / MEDIA

PUBLISHING

Adventures in merchandising

Alice Rawsthorn on Noddy's return

Scratch beneath the jolly facade of his hapless pranks and love of brightly-coloured cars, and it is clear that there has always been a cannier, commercial side to Noddy.

He was, after all, dreamt up by Enid Blyton in 1949 after her publisher pointed out how popular Walt Disney's brightly-coloured cartoon characters were with the children of the post-war era.

After such materialistic origins, it should not seem surprising that, nearly 50 years later, Noddy is re-inventing himself. Later this month, his new persona will be unveiled as part of Enid's Blyton's Toyland, a new brand invented by Trocadero, the leisure group that now owns the author's estate.

Trocadero faces problems with its other businesses and announced last week it was selling its eponymous leisure centre at Piccadilly Circus in London. But it seems to have bought a bargain in the Blyton archive.

It acquired the rights to all the characters created by Blyton from the author's heirs for £13m in January last year. At the time, the intellectual property business was newly fashionable, and Trocadero faced stiff competition from rival bidders including PolyGram and Sony.

The Blyton rights were regarded as particularly attractive because, unlike Thomas The Tank Engine and Winnie The Pooh, they were under-exploited. Trocadero had *carte blanche* to relaunch the archive to meet the needs of the modern copyright market.

Trocadero inherited 7,000 contracts, mostly for book publishing, with hardly any of the merchandising deals which had proved so profitable for Thomas and Pooh. Meanwhile, all rights to Noddy, including media and merchandising, had been sold to the BBC.

It began by setting up a new subsidiary, the Enid Blyton Company, to renegotiate the old deals and clinch new ones. David Lane, its managing director, has since rationalised the publishing contracts into 500 more lucrative agreements, with HarperCollins as the main partner.

Merchandising deals were signed to produce toys and children's clothing for certain characters.

Lane then struck a new accord with the BBC, under which various Noddy publishing and merchandising rights reverted to Trocadero, and the two parties formed a joint venture to produce a television series for the US.

Trocadero hired researchers to search Blyton's 800 books and 10,000 short stories for characters suitable for future exploitation. Each character was scrutinised by panels of children in the UK, Blyton's core market, and the US, where she is virtually unknown.

Lane says that these tests revealed "incredibly high awareness" of Blyton and her characters in the UK, while the US panel showed "a very positive reaction" to them.

Noddy: due to be introduced to American TV audiences next spring

Trocadero decided to create two umbrella brands. Enid Blyton's Toyland, aimed at children under six, includes all the characters in several dozen books set in Noddy's native Toyland.

For the over-sixes, the company will develop a second brand featuring the characters in her Mystery and Adventure series, including the Famous Five and Secret Seven.

The physical appearance of all the Toyland characters, including Noddy and his old friends Big Ears and PC Plod, has been tested and, if necessary, modified to make them suitable for reproduction by modern print and broadcasting technology, and on merchandise like toys and T-shirts. The books have been subtly rewritten to suit the contemporary children's taste.

The same process has been applied to more obscure characters that are deemed to have commercial potential. Mary Mouse, a Toyland denizen, returns to print while Trocadero develops a TV series for her.

Trocadero's next objective is to introduce the characters to the US, starting with a Noddy TV series on the PBS network. This autumn Lane hopes to put US merchandising deals in place to coincide with the start of the series next spring.

Businesslike as ever, Noddy will adopt another persona for his new role. He will pander to his US audience by adopting an American accent on television. And so will PC Plod, in his new guise as Officer Plod.

Raymond Snoddy · Media

In front, or just alone?

The UK is leading the world in digital terrestrial television. There is no question about it: no other country is as advanced in its plans to launch more than 30 channels which can be picked up on a conventional television aerial.

Within little more than a year the channels will be up there and the decoders needed to receive them should be in the shops.

The real question involves the nature of the lead. Is it a lead that will create jobs and launch Britain into the digital age, or is it the kind of world lead achieved when Britain decided to go ahead with Concorde?

The worrying signs are all there. With the exception of Sweden, this is an initiative few seem so far to be following. In the main television markets of Europe – France, Germany and Italy – they shake their heads and say digital terrestrial, or DTT as it is known, is backward-looking technology; the future of digital multi-channel television lies with the endless capacity of satellites.

Another reason for concern occurs when projects are being enthusiastically promoted for reasons other than their intrinsic business merit.

In this case the siren songs are very sweet. For governments, the long-term prize is to get all the existing broadcast channels on to digital so that the present analogue frequencies can be auctioned off for mobile communications.

The British government wisely decide to duck the issue of setting a final date for ending analogue broadcasts and is instead committed to reviewing the situation in five years or whenever at least 50 per cent of the population can receive digital signals.

The US has been more aggressive, and probably more foolhardy, in setting 2006 as the deadline for moving to digital. It will be amusing to listen to an incumbent president, then in mid-term, explaining to millions of Americans that they are about to lose the US networks unless they go out and buy a decoder.

The desirable outcome is easy to define. It is much less easy to see how to get there.

The Independent Television Commission last month had little choice in preferring British Digital Broadcasting, after removing BSkyB as an equity partner, to rivals Digital Television Network.

The commission was required to chose the applicant likely to do most to promote DTT. Many observers believe that BDB is best placed to do just that even though its rival was offering more futuristic interactive services.

The BDB partners, Carlton and Granada, are the largest ITV companies. They should also be able to call on the most popular parts of BSkyB output, such as Sky movies and sports coverage, together with new subscription channels from the BBC.

The trouble is that most of those involved have hidden, if perfectly honourable, motives. They have persuaded themselves their loved one looks beautiful, even though that is not the general opinion.

Michael Green, the Carlton chairman, has always argued, correctly, that ITV will remain a considerable business for the foreseeable future. But he has also been desperately looking for a way to join the digital age. Becoming a major player in cable and satellite always looked too difficult or expensive. Now he believes he has found it.

The BBC has happily embraced DTT because it sees it as a way of extending both its influence and the spirit of public service broadcasting into digital television. The corporation will be a big fish in DTT. Indeed the BBC will have more channels than anybody else because, apart from BDB, it has its own block of DTT frequencies for output paid for by the licence fee.

As for Granada, it was always sceptical about DTT. Then it saw BSkyB joining up with Carlton and thought it would hop on the bandwagon because it did not want to be left out.

In recent months it is almost as if a kind of legitimacy has been given to the proceedings because two serious bidders emerged to contest the commercial DTT franchise. Naturally everyone has been concentrating on the merits of the rivals while City analysts have been churning out imaginary numbers on break-even points and internal rates of return.

The fundamental question – can DTT work at all in any circumstances? – has been largely overlooked.

By the middle of next year the British public will have three competing digital television systems: 200 channels on cable and satellite, and 30 channels on DTT. It is not entirely obvious why those wanting more choice should choose DTT when all its main channels, and much more besides, will be available on the competing systems.

There is surely something a little troubling in selling a product whose main virtues are negative – that you don't need a satellite dish or cable connection to view. But what the hell. Choice and competition are good for consumers and the market will decide, just as it did in the battle between British Satellite Broadcasting's "squarial" and BSkyB's common-as-muck round dish.

PUBLIC RELATIONS

Greer back in business

Ian Greer is walking proof that, in business at least, there is life after death. Just six months ago the political lobbyist's company Ian Greer Associates went into liquidation. Now after a brief period of wound licking, he has bounced back with a new project, this time on the world stage.

Greer, involved in the cash for questions affair, admits: "For a while I was the most vilified man in the UK."

Over the course of the affair his business gradually shrank from a turnover of £4m a year to virtually nothing. Those who gave his prospects a second thought would have assumed he was well and truly buried.

But here he is, aged 64, launching International Government Relations, from the top flat of the twin Georgian town houses that formerly served as his old offices.

"All my savings were tied up in Ian Greer Associates so I have to make a living. You don't need a large staff to run an *international operation but* it does offer a great deal of scope," explains Greer.

The new operation offers two basic services. Firstly, communications and image consultancy for (mostly developing) nation states; secondly, what could be best described as an outsourced diplomatic corps.

"We will ensure that national leaders and relevant ministers have a good understanding of the international media, how they should approach it, how they should deal with controversial issues, what speeches they should make and what they should expect to get out of any articles they want written and books they intend to see published."

Greer says he has four African states already lined up as clients.

The other major role of IGP is that of providing political intelligence for developing countries, particularly in Brussels.

Would he work for anyone? Certainly not. "I think that morality in the exercise of power is much more important than it was a few years ago."

Alex Benady

BROADCASTING

Satellite's small world

Outside the world of communications PanAmSat is hardly a name to conjure with. Yet it is the world's largest private satellite group, operating a global system of 14 communications satellites, with plans to launch seven more before the end of next year.

One of them, capable of broadcasting 360 channels of digital television to Latin America, goes up this month.

Earlier this year PanAmSat inaugurated its SPOTbytes service using satellite communication to link internet site owners in remote places to the internet "backbone" in the US.

"We hooked up Mongolia, Paraguay and Zambia. There are people in outer Mongolia able to use the internet on a real-time basis via PanAmSat," says Fred Landman, president and chief executive.

It is, for him, an example of the power of satellites to deliver not just telecommunications or extra choice in television but an increasingly wide range of data worldwide.

"What we do is provide a highway for people to move information. We're the GII – *the global information infra*structure – that just happens to be satellite based," says Landman, the son-in-law of PanAmSat's founder Rene Anselmo. Anselmo's death in 1995 ultimately helped trigger a restructuring of the company last year under which Hughes Communications, the satellite manufacturer which is part of General Motors, became the dominant shareholder.

Landman says he has been waiting for digital television since 1991 and digital satellite television is now available everywhere from the US and Europe to Asia and the Middle East.

"But broadcast television is not going to disappear and cable is not going to go away," concedes Landman, who says the company already has $7bn worth of long-term contracts.

PanAmSat is the dominant private satellite operator just about everywhere apart from Europe, which is the domain of the Luxembourg-based SES group. It launched its first satellite just six months after PanAmSat in 1983.

The planned seven new satellites will greatly increase PanAmSat's capacity because each of them is *much larger than its existing* "birds". They should enable it to intensify the competition with Intersat, the official international satellite operator.

The next thing for Landman is the development of individual two-way communications with satellites.

"Could we do a personal earth station for under £100? I think that is pretty close," he says.

Raymond Snoddy

Tim Jackson · On the Web

A match made in cyberspace

A year ago, I came close to starting an internet bridal registry. This may sound like a bizarre change of occupation, so perhaps I should explain how the idea came about.

We were having tea in London with a friend from New York, recently engaged, who told us that he and his wife-to-be had decided to register their wedding list at Bloomingdale's.

(For those unfamiliar with the custom, a wedding list or "bride's book" is a list of presents that the couple want to receive from one or two department stores.)

For wedding guests living far away, the bride's book is an inconvenience. Lacking the time to visit the store, they are often reduced to choosing a present over the phone.

The internet seemed to offer a better way. The couple would start by registering their list on our web site, and guests would then be able to see pictures of all the items, before ordering them by credit card.

The process would become not only cheaper and quicker, but would also give guests the feeling of almost having been to the store.

The business attraction was that the process would have much higher average transaction values than most electronic commerce.

So why didn't I start this business? Principally because of laziness. But there was also a practical hurdle: I never worked out how to handle the fulfilment.

Should the gifts be sourced from wholesalers, which would generate higher margins, need more investment, but suffer from feeble branding? Or should the web site act as a front-end to well-known retail brands, which would accelerate *customer acceptance but cut the* margins?

And if so, how were the retailers to be persuaded to throw in their lot with us, instead of starting their own web-based bride's book?

In the year since I chewed over these questions, a pair of young entrepreneurs have gone ahead and started the business.

Tim Gray and Raj Dhaka, both 29, met at Georgetown law school. Last year, Gray got married and began to ponder on the possibilities of an internet registry. Dhaka, who went to eight weddings last summer, wanted a simpler way to buy presents.

Gray quit his job at a law firm, Dhaka gave up consulting, and the two spent a couple of months of weekends drawing up a business plan. They took it to Bill Gross, chairman of IdeaLab, a company that specialises in providing venture capital and logistical support to internet start-ups. Four weeks after their first presentation, they signed a shareholder agreement with Gross. Their web site opens for business later this month.

The surprise is that the focus has moved away from bridal registry. Instead, consistent with the fashion for web-as-TV, the company is called The Wedding Channel. Its web site *(www.weddingchannel.com)* lets spouses-to-be find florists, caterers and venues, choose a dress and a ring, and book a honeymoon.

Best of all, the site offers a private bulletin board service for each wedding. There are three password-protected levels. One is for communication only between bride and groom (though I'd have doubts about the longevity of the relationship if they find this necessary).

Another, for resolving crucial issues such as flower colours, includes the bridesmaids, in-laws and best man. A third is for guests, allowing them to arrange shared rides to parties in the country or to see snaps from the engagement party.

The plan is to make money from a number of sources. Least important are banner ads. Next come sponsorships of content, in which a retailing chain might put its name on top of advice from a bestselling how-to-survive-your-wedding author.

More important is a partnership with an internet travel company, which will allow The Wedding Channel to arrange honeymoons and to take a percentage when visitors book one.

But the site's core revenue source is listings. The aim is to carry basic information, free of charge, on many of the 500,000 wedding-related businesses in the US. For a fee of $50 to $130 a month, companies can become preferred vendors, with priority at the top of the listings and a separate page of text and *photos about their products.*

There's just one bit missing: the registry itself. Having foreseen the difficulties described above, Dhaka says he and Gray have not yet decided whether to sell through departments stores or online retailers.

They are also worried about scaring off local advertisers by appearing to compete with them. As a result, the registry service is not due for launch until the autumn.

What is striking about this transformation is that The Wedding Channel, in its current incarnation as a glorified yellow pages and travel agency, is clearly a less radical use of the web than the basic registry idea.

But this model probably has better cashflow than my original idea, and certainly has the potential to become a bigger business and stronger brand.

tim.jackson@pobox.com

BUSINESS TRAVEL

Travel News · Roger Bray

US tax warning

Threatened new airline taxes in the US look certain to give travel managers nightmares. Bill Clinton, US president, is being urged to agree two sets of proposals from Congress, one of which would add $10 to transatlantic return fares and up the cost of connecting flights within the US by 10 per cent.

The big question is: 10 per cent of what? Take a flight from Paris to Hartford, Connecticut, via New York. The airline will calculate the through fare according to a carefully devised formula – not by simply adding the normal price of the domestic leg to the international ticket.

With that proviso, one senior airline executive reckons the proposal could add $200 extra tax to the cost of a business class return fare between London and Seattle via Chicago.

Sit comfortably

Avoid that screaming child. Japan Airlines is providing computer-generated seating plans which will enable passengers catching domestic flights to sit as far away as possible.

Displays showing where infant passengers are sitting will be available at new automatic check-in machines. Travellers insert tickets or credit cards and touch a screen to choose exactly where they sit.

The first machine has been installed already at Tokyo's Haneda Airport and the capital's Hammamatsucho monorail station.

Perks with Hertz

Hertz is offering a free tank of petrol to UK customers booking rental packages for three days or more and including loss or collision damage waiver. The deal applies to bookings made by the end of August for rentals taken before March next year.

Swiss challenge

Embryonic carrier Swiss World Airways plans to launch flights between Geneva and New York in October, following them with services to Chicago, Miami, Los Angeles and Montreal.

The operation was set up after Swissair shifted almost all its long-haul flights to its main hub at Zurich. Claiming financial backing from Switzerland's French-speaking cantons, it will start with two Boeing 767s.

Swissair still flies between Geneva and New York, but the new challenger says: "It's such an important market that we couldn't possibly look at an operation which didn't include it."

Easier passage

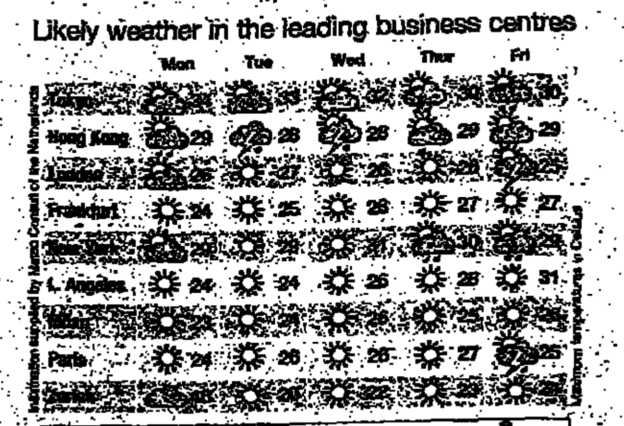
Passengers flying from Taiwan to China via Hong Kong or Macao will soon need to check in only once – at their original departure point.

Taiwanese carrier Eva Air has signed an agreement with the Chinese Civil Aviation Administration allowing it to issue boarding passes for the whole journey.

Watch this space

Thailand's recent economic travails may have forced a delay in construction of a second international airport in Bangkok but the capital's new exhibition centre, with a hall big enough to accommodate three Boeing 747s, is due to stage its first event in September.

The 60-acre complex about seven miles from the central business district on the edge of the city is testimony to continuing, rampant growth elsewhere in Asia.



The streets of San Francisco can pose problems, **Kate Bevan** reports

One-way gridlock

It looked so easy on the map. A nice, straightforward grid system, with our hotel on a main road. No problem. But we reckoned without the nightmare of San Francisco's one-way system.

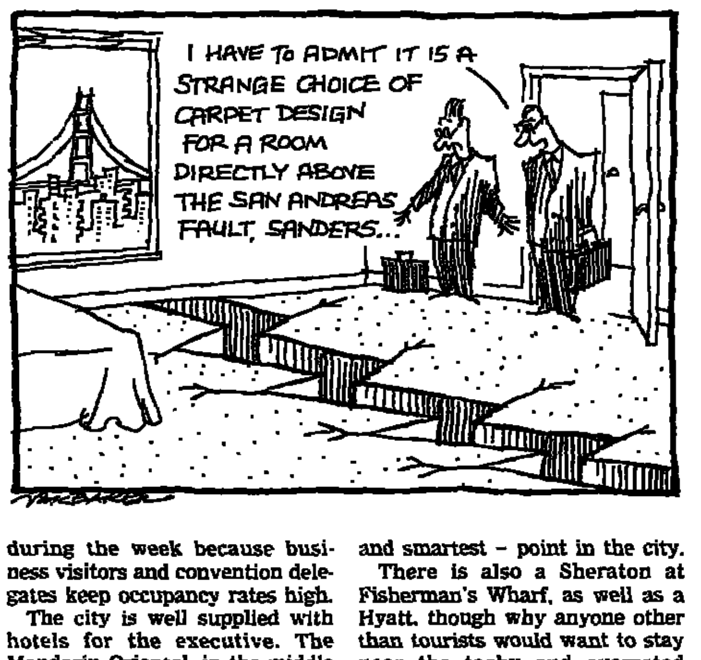
"Man, that system is crazy," a taxi driver remarked later. "I've been here all my life, and I still make wrong turns."

The moral of that story is that, as a business traveller, there is no point hiring a car. If you are not baffled by the one-way system, then the arcane parking restrictions will get you instead.

If you must hire a car, at least the colourful signs pointing to the various districts will help you navigate from the freeways. For example, signs directing the driver to the North Beach area, San Francisco's Little Italy and cradle of the "beat generation" writers, are green and show a map of Italy; while those directing drivers to Fisherman's Wharf feature a crab.

But the downtown area is so compact that a cab fare is unlikely to be much more than $10, and even getting into the city from the airport is a doddle. Regular shuttle buses are almost as convenient as cabs from either San Francisco International airport, where all international and most domestic flights arrive, or from Oakland, used by some domestic flights.

As well as the Silicon Valley computer industries, San Francisco also attracts hordes of convention-goers, according to Sheryl Denker, public relations manager of the Mandarin Oriental hotel. She says the hotel does not have to offer reduced rates during the week because business visitors and convention delegates keep occupancy rates high.



The city is well supplied with hotels for the executive. The Mandarin Oriental, in the middle of the financial district, is probably the most conveniently located for the banks.

However, the Mark, run by the Inter-Continental group, in Nob Hill, is one of the city's best-known luxury hotels, while the Ritz-Carlton is another five-star in Nob Hill, the highest – and smartest – point in the city.

There is also a Sheraton at Fisherman's Wharf, as well as a Hyatt, though why anyone other than tourists would want to stay near the tacky and overrated wharf, with its myriad shops selling overpriced tat and fast-food stalls, is a mystery.

Getting to Fisherman's Wharf is also slightly more expensive from the airport – another good reason to give the area a miss.

Perhaps the biggest surprise about San Francisco is its climate. This is not a beach-culture city basking in sunshine in the same style as its southern neighbour, Los Angeles. Perched on the tip of a peninsula, with the bay on its right and the Pacific to the west, the city can be downright chilly and windy, even in summer.

Yet like so many American cities, the air conditioning in buildings can be too cool, and it is easy to suddenly find yourself shivering in the cold in spite of a sunny sky.

The famous fogs can appear out of nowhere, driving temperatures down by as much as 10°C. However, for the executive with a romantic heart beating beneath the crisply tailored suit, there is nothing quite like being at the top of one of the taller buildings in the financial district when a fog rolls in: it is like floating above the clouds.

And of course the city is perched right on the San Andreas Fault and holding its breath for The Big One – an earthquake to match the 1906 one which destroyed much of the city and killed 3,000 people.

Since then, and the 1989 quake which killed 67 people, buildings have been constructed with this in mind; and most hotels include earthquake evacuation procedures in their guest information.

However, for the business traveller, a more immediate concern may be homeless people who live on the streets and seem to be more aggressive and ready to harass passers-by than in many other world cities. At night, when the suits desert the financial district, the streets can be alarming to walk – so get a cab.

A fare guide to the city

● Arriving: the easiest way into the city is by shuttle buses, which pick up outside the arrivals area at San Francisco International, known as SFO. The journey is about 40 minutes, and costs $10 for a drop-off at city-centre hotels. Hotel concierges can book a return trip to the airport. A cab fare from SFO to downtown is about $30.

● Hotels: the Mandarin Oriental (222 Sansone St) offers a business centre with secretarial services and rental of laptop computers. Rooms from $305 (£184) a night plus tax, tel 415 276 9888, while the Ritz-Carlton (600 Stockton St, tel 415 296 7465) has rooms from $265 plus tax – both also bookable in the UK through Leading Hotels of the World (0800 181123). The Mark Hopkins Inter-Continental (999 California St) is from $200 a night plus tax (415 392 3434).

● Eating: North Beach has most of the Italian eateries including the evocatively named Stinking Rose, which "seasons its garlic with food" (325 Columbus Avenue). On the edge of the financial district in Chinatown is the House of Nanking (919 Kearny St) – it's a dodgy-looking hole in the wall yet serves excellent cheap Chinese food. Zuni (1658 Market St) is trendy, slightly pricey, and does imaginative Californian food.

● Getting around: cabs are cheap and plentiful. Cable cars are strictly for tourists.

Hotels open summer sales

If you're planning any business travel over the next couple of months a pleasant surprise is in store: discounts of as much as 60 per cent. Hotels are staging their summer sale to woo business during their quiet period until the end of August.

If you can schedule your business trips during the next two months, those on tight budgets can either save money, switch to a better room or upgrade from their normal budget hotel.

It's the only time of year when hotels are keen to do deals and will make a point of actually promoting them.

The level of discounts vary, and watch out for booking restrictions. The lower prices often include extras which constitute further savings.

In Singapore, for example, the Conrad is halving all minibar charges. Kempinski is throwing in a limo transfer from Buenos Aires airport to its downtown hotel, the Libertador, while a room upgrade to a junior suite is an added benefit of staying at any of the 190 Inter-Continental and Forum hotels.

Some deals are marketed only at weekends, targeting exclusively the leisure traveller but there are those, such as Radisson's Family Magic Programme, which can be used by business people midweek at any of 70 hotels across Europe.

Doing business in France? There are savings of up to 45 per cent at any of the French-owned mid-price Libertel chain. The deal applies at its hotels in Paris, Lyon and Bordeaux. Rates range between FFr320 (£32) – normally FFr520 – in the 54-room Hotel Wilson in Lyon to FFr600 for any of three central Paris properties normally in the FFr850-FFr990 range.

In New York's fashionable Upper East Side you can stay for $260 (£154) instead of the regular $380 at the Mark, part of the Rafael hotel group. Or or you can upgrade to one of its suites for $395.

There are also deals to be had in Hong Kong after hoteliers pushed prices up during last week's handover period. Conrad's is HK$2,100 (£163), Peninsula's HK$1,420, Mandarin Oriental's HK$1,780 and Shangri-La's is either HK$1,715 at its Kowloon hotel or HK$2,160 at its Island property.

Ritz-Carlton has summer rates ranging from $89 to $295 a night until September 1 as long as you are an American Express cardholder.

A similar saving is offered by the Park Hyatt in Sydney until August 31 of A$400 (£175) a night instead of A$721. The price includes deluxe harbour room, breakfast and valet parking.

It's worth asking for special deals with any hotel booking you make in the next few months.

Gillian Upton

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY

Allied Domecq Fin. Services 6¾% Gtd. Conv. Sub. Bds. 2008 US$65
Asahi Chemical Inds. 4.75% Bds. 2000 Y475,000
Australia & New Zealand Banking Grp. A$0.22
Bank of China FRN 1998 US$31.28
Baring Stratton Invs. Tst. 2.29p
Beattie (James) 6p
British Assets Tst 1.16375p
Browning-Ferris Industries $0.17
Chase Manhattan Senior FRN 2000 $150.72
Courtaulds 5% (3.5% net) 1st Pf 1.75p
Epwin 6.1p
Fishers Intl 0.34p
Hoare Govett 1000 Index Inv Tst 0.8p
Hoare Govett Smaller Cos Index Inv Tst 1.5p
Ivory & Sime UK Smaller Cos Tst 1.9p
Mitsui & Co FRN 1999 Y7504
Morgan Crucible 8p
Do 7.5p (net) Cm Cv Rd Pf 3.75p
Neste Oy 9¼% Bds 1999 $462.50
Redland 11.17p
Rolls-Royce Capital 7⅛% Nts 2003 $71.25
Scottish National Tst 1.8p
Smiths (James) Estates 4p
Transtec 1.6p
Unilever 7¼% Bds 2004 $72.50
Vaux Group 3.7p

■ TOMORROW

Bibby (J) 5p
Bridgend Group 0.1p
Treasury Stk FRN 2001 £15461
Capital Gearing Tst 0.65p
Fleming Income & Grwth Inv Tst
Granada Group 9⅜% Bds 2003 £93.75
Havelock Europa 2.85p
Inter-American Development Bank 12.5% Ln Stk 2003 £6.25
Leo 2 Class B Mort Bckd FRN 2032 £206.80
Linton Park 13.75p
Nordic Inv Bank 7.75% Nts 1998 £77.50
Walker Greenbank 2.4p

■ WEDNESDAY JULY 9

Anglo American Coal R9
Brands Hatch Leisure 0.5p
Ferguson Intl 8.75p
Kansai Intl Airport 8.5% Gtd Bds 1998 $85
Pokphand (CP) (Bermuda Reg) $0.00384
Do (Hong Kong) HK$0.03
Do (UK) $0.00384
Reed Elsevier 9⅝% Gtd Bds 1997 $962.50
Romtec 1.5p
Treasury Corpn of Victoria 8¾% Gtd Bds 2003 £87.50
Value and Income Tst 2.3p

■ THURSDAY JULY 10

Apollo Metals 8p (Net) Cm Cv Rd Pf 4p
Centex Corpn $0.05
EIS Group 9.9p
Guinness 2.5% Cv Nts 1997 IR£625
Halifax Bldg Society 8¾% Sb Bds 2006 £875
Hewden Stuart 2.4p
Lothbury Funding Class A1 Mortgage Bckd FRN 2031 £453.34
Do Class A2 Mortgage Bckd FRN 2031 £1704.69
Do Class B Mortgage Bckd FRN 2031 £1904.14
Lucas Industries 10⅞% Bds 2020 £1087.50
Morris (Philip) $0.40
Northern Investors 5p
Scottish Value Tst 1p
Sira Business Svs 0.0306p

■ FRIDAY JULY 11

Abbeycrest 2.5p
Advent VCT 2p
Aggregate Industries 1.2p
Allianz AG DM1.70
Alpha Airports Group 3.5p
Ann Street Brewery 14.5p
Bank of Ireland IR11.65p
Bertam 1.4p
Bilton £1.25
Body Shop Intl 4.8p
Brixton Estate 5.85p
Charles Stanley 0.25p
Cleveland Tst 3.5p
Daily Mail and General Tst 7p
Do 'A' (Non-Vtg) 7p
Hepworth 9.35p
Ireland (Republic of) 9 ¼% Cap 2003 IR£4.625
Kunick 0.35p
National Power 7⅛% Nts 2001 $71.25
RIT Capital Partners 1.82p
Schlumberger $0.375
Shorco Group 2.2p
Sidlaw Group 1p
Energy Group $0.4496
Tokai Bank Y4.25

UK COMPANIES

■ TODAY

Seton Healthcare, Pennine Way Hotel, Manchester Road, Oldham, 2.30
Value & Income Tst, 45, Charlotte Square, Edinburgh, 12.30
COMPANY MEETINGS:
BOARD MEETINGS:
Finals:
British Bloodstock
Budgens
Carclo Engineering
Tomkins
Total Systems
Interims:
Barr (AG)
Low & Bonar

■ TOMORROW

COMPANY MEETINGS:
Advent VCT, Butchers' Hall, Bartholomew Close, E.C., 6.00
INVESCO Blue Chip Tst, 11, Devonshire Square, 12.00
Time Products, Claridge's, Brook Street, W., 3.00
BOARD MEETINGS:
Finals:
Bespak
GEC
International Greetings
Marston, Thompson & Evershed
Parkland Group
Precoat Intl
Real Time Control
Triplex Lloyd
Interims:
Division Group
M&W

■ WEDNESDAY JULY 9

COMPANY MEETINGS:
3i Group, Marriot Hotel, Grosvenor Square, W., 11.00
Berry, Birch & Noble, 32, Portland Place, W., 11.00
Charles Stanley Group, 25, Luke Street, E.C., 12.00
Cleveland Tst, 100, Liverpool Street, E.C., 12.00
Dawson Intl, Sheraton Hotel, Edinburgh, 12.00
Filofax Group, Filofax Centre, 21, Conduit Street, W., 10.00
German Smaller Cos Inv Tst, 10, Fleet Place, Limeburner Lane, E.C., 12.30
Henderson, 3, Finsbury Avenue, E.C., 12.30
Sainsbury (J), Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, S.W., 10.30
Voyageur Euro Smaller, 60, Melville St, Edinburgh, 12.0
BOARD MEETINGS:
Finals:
British Biotech
Dixons Group
Farepak
FI Group
Marling Industries
Vardy (Reg)
Interims:
BWD Securities

■ THURSDAY JULY 10

COMPANY MEETINGS:
Abbeycrest, St Paul's House, Park Square, Leeds, 2.00
Finsbury Tst, The Worshipful Company of Coopers, Coopers Hall, 13, Devonshire Square, E.C., 12.00
Fleming Continental European Inv Tst, 25, Copthall Avenue, E.C., 12.00
Gartmore Shared Equity Tst, Fenchurch Exchange, 8, Fenchurch Place, E.C., 12.30
North Atlantic Smaller Cos Inv Tst, 10, Park Place, S.W., 12.00
RIT Capital Partners, The Royal Automobile Club, 89, Pall Mall, S.W., 11.00
Salvesen (Christian), Sheraton Grand Hotel, 1, Festival Square, Edinburgh, 11.00
Storehouse, Merchant Taylors Hall, 30, Threadneedle Street, E.C., 12.00
Yorkshire Water, Harrowgate Conference Centre, Kings Road, Harrowgate, West Yorkshire, 11.00
BOARD MEETINGS:
Finals:
Burtonwood Brewery
Cadcentre Group
Druck Holdings
Fletcher King
Helton Holdings
Helical Bar
Peel Holdings
Phonelink
Ranson (WM)
Interims:
Kleinwort Charter
Lowe (Robert)
Skills Group

■ FRIDAY JULY 11

COMPANY MEETINGS:
Northumbrian Fine Foods, Dukesway Team Valley, Gateshead, Tyne & Wear, 10.30
Property Partnerships, Hotel Norwich, 121/131, Boundary Road, Norwich, 11.30
BOARD MEETINGS:
Finals:
Aberforth Split Level Tst
Lawrence
Merrydown
Prism Leisure

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.
This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent annoucements.

THE PROPERTY MARKET

A different board game

Mark Ashurst on the changing face of Johannesburg

Few locations in downtown Johannesburg better illustrate the pace of change in post-apartheid South Africa than Eloff Street. This thoroughfare is the most sought-after address in the South African version of the Monopoly board game. But in reality, it has lost much of its allure for investors.

The metamorphosis is perhaps the most vivid example of the demographic changes brought by the country's political transition. Downtown Johannesburg is fast becoming the business and shopping centre of choice for black residents of Soweto, the sprawling township south-west of the city. But demand for office space has fallen sharply over the past five years, with an average vacancy rate of 25 per cent.

"This trend has led to an abundance of CBD [central business district] space, a decline in market rentals and a general deterioration of these areas," says Mr Banus van der Walt, managing director of Sanlam Properties, one of South Africa's biggest property investors. Income from office rentals has slumped, although business from Sowetans has partly sustained rentals for central retail sites.

The influx of shoppers and street traders has radically changed the character of the city's precincts and it has been accompanied by a steady rise in crime. Traditional medicines and fresh vegetables line the pavements outside the head offices of the biggest mining houses, legal chambers and commercial banks.

These institutions can ill afford to vacate their downtown premises, but their foreign clients and trading partners stay elsewhere.

Anglo American Property Services, a subsidiary of the country's biggest company, recently reported losses of about R340m ($75m) from inner-city commercial property during the past two years. The group has responded by putting assets worth R900m up for sale, most in Johannesburg.

The disposals are likely to boost the capitalisation rate for central Johannesburg office buildings above last year's 11.8 per cent. The move reflects a broader shift in sentiment, particularly among institutions. Property has lagged the performance of other investment classes in recent years.

"The deterioration is indicative of investors perceiving investments in all property types more negatively. The general slowdown in economic activity this year may also – albeit erroneously – make investors anticipate lower income or rental increases," writes Mr Erwin Rode, editor of the South African Property Market Survey.

The bearish sentiment is not shared by new developers or the South African Chamber of Business, which argues that the demographic pressures which have triggered the exodus of many white-owned businesses to the suburbs will also drive the city's recovery.

While higher vacancies and sluggish rental growth in central Johannesburg will bring painful losses for institutions, the time may be ripe to rerate inner-city properties. "By taking the medicine now, growth off a rerated lower base should be steady over the next five to 10 years," advises Colliers RMS, a property broker.

Outside the city centre, there has been a steady growth in demand for new offices, and hence rentals. The number of greenfield developments and suburban business parks has mushroomed, in part to absorb the exodus of blue-chip clients from the congested and crime-ridden city centre.

The catalyst for much of this migration has been the introduction of electronic trading at the Johannesburg Stock Exchange. Brokers and other financial institutions have seized the opportunity to relocate.

One of the fastest-growing new business districts is the satellite city of Sandton, about 10km north of Johannesburg, while the combined business and residential districts of Parktown, Rosebank, Illovo and Wierda Valley account for the bulk of this year's growth in office rentals. Bruma, an eastern suburb which borders the motorway route to Johannesburg International Airport, has also emerged as a developers' favourite.

However, demand may be tailing off. National vacancy levels for A and B grade offices increased from 8.9 per cent at the end of last year to 9.3 per cent in the first quarter, although the market for new developments remains buoyant. The highest pioneer rental in the March quarter – a measure used by economists to predict the future growth potential of a new site – was R65 per sq m, a premium of 41 per cent on the average rental for top grade office space.

Analysts forecast that the differential between downtown and decentralised rentals will continue to grow. This may encourage institutions with a high level of personnel to remain in the city centre.

Retailers hope that employees will not reserve their shopping for the suburbs. Several high street chains have expanded their downtown operations, led by Edgars, the fashion group, which recently launched a flagship store on the ground floor of a half-empty office block.

Its Eloff Street address is no longer a prime location for the houses and hotels required to win at Monopoly, but it could become a good place to sell board games.

South Africa at a glance

Market rentals for prime offices
(Rand per sq m, Q1 1997)

	Pioneer	Grade A+	Difference (%)
Johannesburg central	39.00	36.13	7.94
Johannesburg suburban	65.00	46.09	41.03
Pretoria CBD	32.00	28.74	11.34
Pretoria suburban	35.00	30.77	13.75
Cape Town CBD	45.00	36.98	21.69
Cape Town suburban	53.94	45.10	19.60
Durban CBD	50.00	40.86	22.37
Durban suburban	52.00	43.20	20.37
Pietersburg	44.00	36.21	21.51
Bloemfontein CBD	43.50	36.49	19.21
Bloemfontein suburban	49.00	34.39	42.48

Assumed lease size 500 sq m in primary CBD, and 250 sq m in secondary cities and suburban areas

Source: Rode & Associates

Real growth
(Q1 1997 % growth over four previous quarters)

Prime CBD office rentals	Real
Johannesburg	4.7
Pretoria	-7.1
Durban	11.4
Cape Town	13.3
Prime decentralised office rentals	
Randburg CBD	13.9
Sandton CBD	33.1
Lynnwood Glen (Pretoria)	20.2
Berea (Durban)	14.9
Claremont (Cape Town)	10.1
House prices (all price classes, Q3 1996)	
Johannesburg metro	2.6
Pretoria metro	-7.7
Durban metro	0.4
Cape Town metro	6.5
Port Elizabeth	-1.6

Note: CBD= central business district

ARTS

OPENINGS

GRAZ
The Bolshoi Opera spends the next three weeks in Austria as guest of the Graz Opera House. The season begins tomorrow with Musorgsky's *Boris Godunov*, and there are also performances of Tchaikovsky's *The Queen of Spades* and Rimsky-Korsakov's *The Golden Cockerel*.

LONDON
"Arts of Korea", opening on Friday at the British Museum, promises to be a highlight of the London art calendar. The exhibition presents an overview of Korean art and archeology (right) from the Neolithic period to the 19th century. Among 300 exhibits are a royal gold crown from the Silla kingdom, dating from the 5th-6th century AD, and a 14th century illuminated Buddhist manuscript.

The London Symphony Orchestra gives the world premiere of Leonard Bernstein's *A White House Cantata* tomorrow at the Barbican. The piece has been reworked from Bernstein's 1976

Broadway show *1600 Pennsylvania Avenue*.

The Kirov Ballet from St Petersburg arrives at the Coliseum for a five week season. The repertory contains many old favourites, and includes the first London showing of the company's delightful *Don Quixote*, which gets the season off to a jolly note. Casting varies: seek out performances by Asylmuratova (right, with Konstantin Zaklinsky) and Ayupova in any roles.

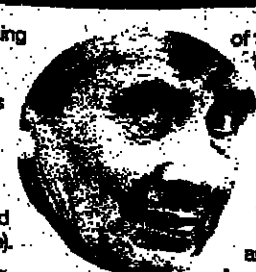
Geraldine McEwan joins the Peter Hall Repertory Company at the Old Vic this week, opening tonight in a new play, *Grace Note*. The author, Samuel Adamson, wrote *Clocks and Whistles* successfully last year for the Bush Theatre; the director of both that production and this is Dominic Dromgoole.

The latest new play at the

Royal Court – opening tomorrow, at the Theatre Upstairs (a.k.a Ambassadors Theatre) – is *The Weir* by Conor McPherson (another author previously produced at the Bush Theatre). Ian Rickson directs.

MUNICH
One of Germany's leading artists, Markus Lüpertz (b.1941), is the subject of a retrospective at the Kunsthalle der Hypo-Kulturstiftung. The show opens on Friday and includes paintings, sculptures and drawings from all periods in Lüpertz's career.

KUHMO
New Finnish music rubs shoulders with American music

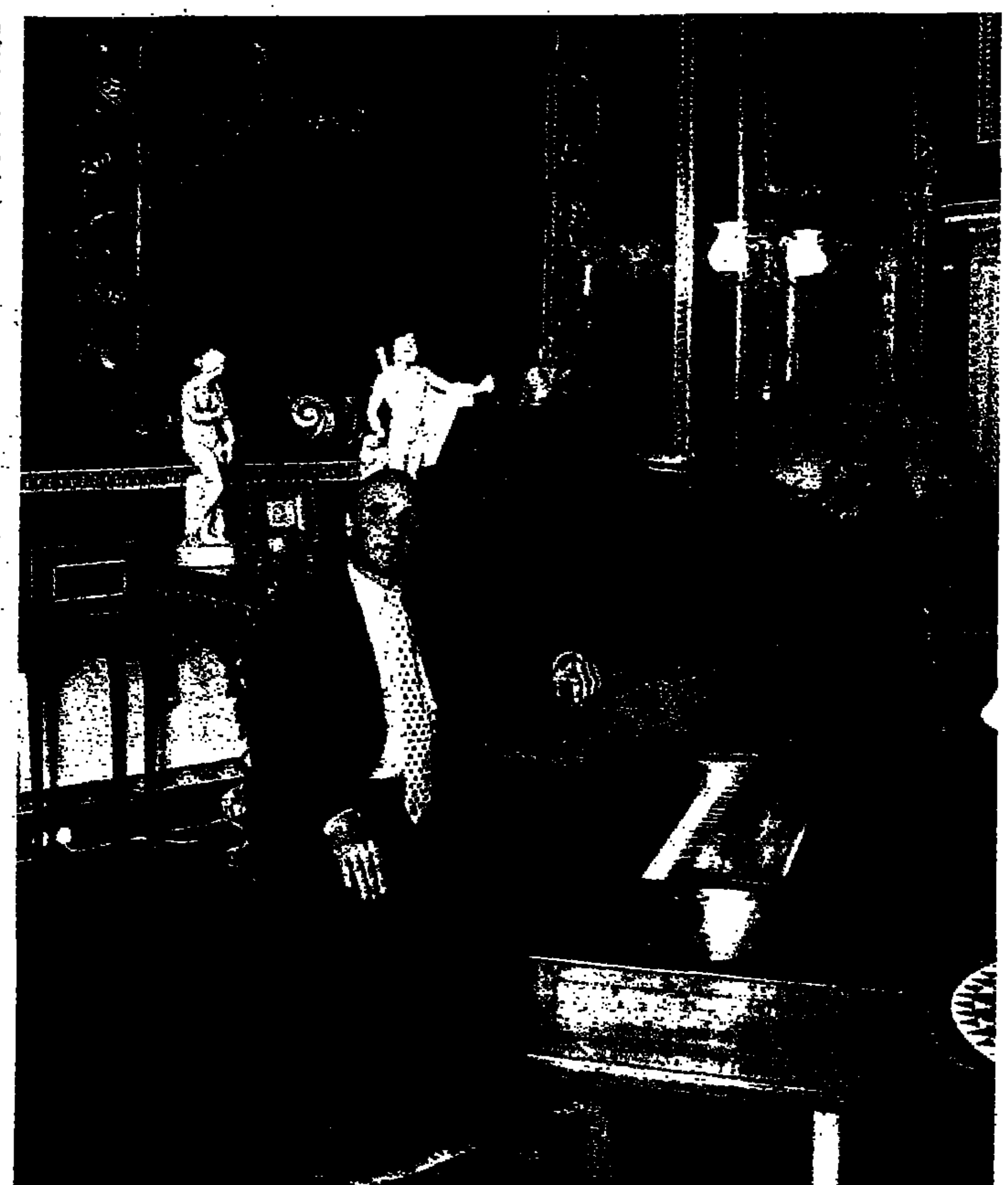


of the past half-century in this summer's programme at Kuhmo, the internationally-renowned Finnish chamber music festival. The opening concerts on Sunday are devoted to American songs and string quartets by Einojuhani Rautavaara (above left).

AVIGNON
France's leading theatre festival is dominated this year by an extensive Russian season, beginning on Friday with Anatoli Vassiliev's dramatisation of the Book of Jeremiah. The festival also features Piotr Fomenko's Moscow ensemble in stagings of Ostrovsky, Turgenev and Shakespeare.

Purcell, Chopin and Mahler played here

Antony Thorncroft on a unique country house collection of composers' original keyboard instruments



Alec Cobbe in the Saloon at Hatchlands, venue of summer concerts

Hatchlands, the house that bluff old Admiral Boscawen built around 1750 for his retirement on the outskirts of Guildford, has not ranked among the grandest of National Trust properties. The trust rashly took it on in 1946 without an endowment, and was glad to rent it out as a school for many decades.

But its years of obscurity, as poor relation to nobler adjacent NT properties like Polesden Lacey and Clandon Park, will soon be over. Hatchlands is about to burst into the limelight as one of the most intriguing and romantic museums in the country, displaying to the public not only a unique collection of historic keyboard instruments, but instruments which in most cases are closely identified with leading composers.

Here is the piano on which Elgar composed "Nimrod"; the virginals of King Charles II which were certainly touched by Purcell; a piano on which Chopin performed; one of Beethoven's and of Mahler's. As well as keyboard instruments closely associated with the most famous composers are instruments with their own notoriety – a Ruckers harpsichord of 1636, to *cognoscenti* the Stradivari of the keyboard; an English harpsichord of the 1620s, one of only three known to have survived and the only one still playable; a piano of around 1780 on which Charles Dibdin introduced the new instrument to the UK; and a piano almost certainly played by Marie Antoinette.

These instruments have been gathered together by Alec Cobbe, who took over Hatchlands in 1987. Cobbe is a celebrated artist and designer, perhaps best known for devising the temporary exhibitions at the Queen's Gallery in Buckingham Palace. But his great love is music, in particular keyboards.

He is contemptuous of modern pianos, all thump and resonance, designed to fill big halls. His preference is for the subtleties of earlier instruments. Listening to him play the music of Chopin, Purcell and Elgar on the keyboards of their day a very different sound emerges; more subtle, more delicate, more thrilling.

Maintaining Hatchlands, and the collection, was imposing an unbearable strain on Cobbe. This exceptional group, all the more important in a nation which, unlike the continent, has few museums dedicated to composers and no comprehensive holding of keyboard instruments, was in danger. Fortunately, in a gesture of remarkable generosity, not only is Hatchlands now secure: it is on the point of resurgence.

The catalyst is Donald Kahn, an American businessman and philanthropist. He visited Hatchlands and was bowled over by the collection, so bowled over that he has committed £5m to help establish the Alec Cobbe Foundation. The money is guaranteed as an annual endowment extending over 25 years. In the autumn the foundation will be formally launched, under the chairmanship of Baroness Thatcher, with the aim of matching Kahn's generosity.

Kahn, whose father was a Wall Street financier and mother an Annenberg, is one of those Anglophiles who shows his attachment with cash. He has given freely to the Royal Academy, and to the current rebuilding appeals of both the British Museum and Sadler's Wells. But this is his biggest commitment.

The money will go towards securing the future of Hatchlands; to enable Cobbe to extend the collection; and to widen its appeal to the public. There will be more concerts, more events, more effort to raise visitors above the current 35,000 a year.

There are problems. Ideally the instruments should not be played for more than 20 hours each year. But, by a clever balancing of programmes, there will be regular concerts in the music room of Hatchlands in which the public can hear the music of the past played as the composer wished.

Each Wednesday through the summer there is a lunchtime concert, and many more events are scheduled, with the revenue contributing to the foundation.

Last week a CD was released under the "Hatchlands" label featuring music played on the original instruments. It will be evocative, although not perhaps as evocative as hearing it at Hatchlands, a house now filled with Old Master paintings, casts of antique sculptures, the eccentric mélange of an English stately home – plus an unrivalled group of old instruments.

Musical merry-go-round

William Weaver finds Spoleto at its festive best

The Spoleto festival, now in its 40th year, has much to celebrate. The disagreement between its founder, Gian Carlo Menotti, and the local authorities who control the purse-strings seems to have been settled, at least for for another two years. Menotti's adopted son Francis, the origin of some of the contention, is purportedly demonstrating a skill for fund-raising and tactfully campaigning to keep his post as festival president in the post-Gian Carlo era.

But at 86 the maestro is still in splendid form. On the Sunday of the festival's first weekend, he failed to appear at the beginning of the noon-time concert, a beloved Spoleto institution, and his assistant announced the opening selections – Bach's Chaconne and a Paganini Capriccio played by an extraordinary 20-year old violinist, Katherine Koh. But then, to present the second half, Menotti himself came on stage, explaining his tardiness: the festival choir had sung the Mass in the Duomo next door, and he had wanted to hear it. "There is music here from morning till midnight," he said, smiling, "and I try to hear all of it." Then the European Soloists Ensemble played, magically, a Franz Schmidt quintet, chosen by Menotti, who particularly loves the final movement. The performance persuasively argued that he is right.

The previous evening, at the opening of this year's main operatic event, Korngold's *Die tote Stadt*, Menotti was discreetly visible in his parterre box, but one could only wonder what his reaction was. Although the town was full – the Corso Mazzini after dark was like the Tokyo metro at rush hour – the Teatro Nuovo was not. Nevertheless, Günter Krämer's production received a generally good press. It was sung in German with Italian titles, but did little to clarify the action, which was at times brutal, often surreal, but rarely magical.

Hubert Delamboye, in the tenor role of Paul, displayed a huge, generally pleasant voice, but his singing was more vehement than caressing. He is not much of an actor, and Krämer did not help him. Nina Warren, the equally big-voiced soprano, was monotonously loud, with nothing mysterious or seductive about her. And while the conductor, Steven Mercurio, had clear ideas about the score, the festival orchestra could not produce the lush warmth that Korngold requires.

This lack of orchestral excitement was also evident in the second operatic offering, a revival of last year's production of Handel's *Semele* – though there was compensation to be found in several of the singers: the bright Maria Costanza Nocentini in the title role, the confident Jeffrey Francis as Jupiter, and the expressive Denis Sedov as Somnus. Edith Dowd was a largely convincing Juno, even if – like all the cast – her enunciation of the English text was not always clear. Donald Nally, director of the Spoleto chorus, conducted firmly. Roman Hurko's staging was full of tricks, especially distracting during the overture, but there were some charming inventions, and Roberto Peregalli's sets gave an idea of baroque fantasy with admirably simple means.

Spoleto always has a surprise or two up its sleeve, and the South African group Amampondo came as a splendid shock to this year's audiences. A dozen or so performers – alternately dancers, drummers, acrobats, singers and dazzling marimba-players – brought a vitality to the Teatro Romano equal to anything that space has seen in its 1,900 years. The audience included young American members of the festival chorus, and at the end, several scrambled on stage and danced with the African cast. This was Spoleto at its festive best.

Theatre

Lear as a nightmare vision

No matter how feisty some of his heroines may be, Shakespeare reserved his greatest writing for a few male characters. But there have always been actresses who won't let a little thing like gender stand between them and a great part; the latest is Kathryn Hunter, taking on Shakespeare's thorniest challenge, the part of Lear.

Hunter plays the king in a production by Helena Kaut-Howson, first seen in Leicester and now arrived at the Young Vic. Kaut-Howson frames the play with a wordless prologue, in which the decrepit central figure appears in some twilight, hospital world, prompting the notion that what follows is the nightmarish vision of a demented mind, tormented by family regrets.

One can see the point of this, since it allows for Kathryn Hunter to assume Lear's masculinity within the main story. But in fact it is scarcely necessary – she plays Lear so old as to be virtually beyond gender anyway. Dressed in a suit, face pale and wizened, white hair straggling to her collar. Hunter cuts a bizarre and oddly touching figure. We see a monarch who has commanded respect, but at the same time she brings out the peevish stubbornness of old age. Her diminutive stature increases the impact of Lear's vulnerability, but she lacks the sense of a mighty oak felled. However, she brings great integrity to Lear's sudden chastening insight into the plight of the unfortunate, tremendous poignancy to the madness and quiet, heart-breaking sorrow to the death of Cordelia.

But just to focus on Hunter is to do an injustice to the rest of the production. This is not one of those stagings where an actor is essaying the Great Part and everyone else is limping miles behind. It is organic, clear, fluent, well-spoken and played with great energy.

Pawel Dobrzycki's design suggests a background without pinning it down. The dress is roughly modern, the set flanked by steel scaffolding and backed by huge wooden doors. The map Lear produces is of Britain, but the preponderance of fur hats, the iron stoves and the bleak, snowy weather is more reminiscent of some middle-European country. It is a place where enmity between clans and within families rumbles ominously, where people are frequently on the move or on the run. Certainly, the fear of being dispossessed and displaced fits this context.

Kate Seaward and Gabrielle Reidy are glacially strong as Goneril and Regan at the outset, less convincing as their lust for power takes over. Jeremy Brudenell's Edmund also starts out nicely as a scheming charmer, but becomes flimsier as his cruel streak takes hold. Colin McCormack and Simon Roberts offer strong portraits of appalled decency as Kent and Edgar, and Robert Pickavance is moving as Gloucester, a willow who bends but cannot break. Marcello Magni is hit-and-miss as the Fool: there is an affectionate closeness between him and Lear, but he doesn't have that piercing, cutting insight that crucifies Lear.

This *Lear* may not reach the summit of Shakespeare's masterpiece, but it gets a good way up the mountain.

Sarah Hemming

Young Vic, London SE1, until August 2 (0171-928-6363).

INTERNATIONAL ARTS GUIDE

■ BAD KISSINGEN

CONCERTS
Kissinger Summer Festival
Tel: 49-971807110
● Roberto Abbado conducts the Munich Radio Orchestra in a programme of arias, with soprano Gabriela Benácková and tenor Alfredo Portilla; at the Regentenbau; Jul 9 ● Burkhard Glaetzner conducts Handel's Messiah; at the Stadtpfarrkirche Münnerstadt; Jul 10
● Bamberger Symphoniker: conducted by Gerd Albrecht in a programme of works by Tchaikovsky, Beethoven and Elgar; at the Regentenbau; Jul 11
● Barcelona Symphony Orchestra: conducted by Lawrence Foster in works by Gerhard, Shostakovich, Elgar and Mendelssohn; at the Regentenbau; Jul 12

■ CHELTENHAM

CONCERTS
Cheltenham Festival
Tel: 44-1242-227979
● Sundsvall Chamber Orchestra: Niklas Willen conducts the Swedish orchestra in works by Rossini, Lindgren, M Hayden and Beethoven; at the Town Hall; Jul 10
● BBC Symphony Orchestra: conducted by Markus Stenz in Brahms' Symphony No. 2 in D, a new work by Hoyland and Mahler's Songs of a Wayfarer; at the Town Hall; Jul 11
● Orchestra and Choir of the Age of Enlightenment in works by Bach and a specially-commissioned work by Betty Roe; directed by Paul Nicholson, with soprano Ruth Holton and bass Peter Harvey; at the Town Hall; Jul 12

OPERA
● La Bohème: by Puccini, performed by the European Chamber Opera; at the Everyman Theatre; Jul 8, 9, 12
● Die Fledermaus: by J Strauss, sung in English by the European Chamber Opera; at the Everyman Theatre; Jul 10, 11

■ DROTTNINGHOLM

OPERA
Drottningholms Slottsteater
Tel: 46-8-457 0600
Euridice: artistic director Per-Erik Ohrn has chosen two of the first operas ever written for his first year at the festival's helm. Jacopo Peri's opera dates from 1600 and this is its Swedish premiere. Produced by Karl Dunér, and designed by Peder Freiij, with the Drottningholm Theatre Orchestra conducted by Jakob Lindberg; Jul 8, 9, 11, 12

■ GRAZ

CONCERTS
Styriarte Festival
Tel: 43-316-825000
● Nikolaus Harnoncourt, star of his home town's festival, conducts the Chamber Orchestra of Europe in the complete Brahms symphonies, presented as a cycle for the first time, as the Beethoven and Schubert symphonies have been presented here in the past. Symphonies 1 and 2 are performed on 4th and 9th; 3 and 4 on 7th and 10th; to Jul 10; at the Stefaniensaal
● Der Graf von Gleichen: its libretto banned by the censor, Schubert's last opera remained unfinished. By piecing together the fragments and filling in the gaps, contemporary Austrian composer Richard Dünser has created a finished piece, performed here by the Graz Philharmonic Orchestra conducted by Andreas Stoehr; at the Stefaniensaal; Jul 12

■ LONDON

CONCERTS
City of London Festival
Tel: 44-171-638 8891
● Bernstein: *A White House Cantata* – Kent Nagano conducts the London Symphony Orchestra in Bernstein's reworking of the score of his unsuccessful musical, *1600 Pennsylvania Avenue*; at the Barbican Hall; Jul 8
● Chilingirian Quartet: with soprano Patricia Rozario in works by John Tavener and Arvo Pärt; at The Priory Church of St Bartholomew The Great, West Smithfield, EC1; Jul 9
● Monteverdi Vespers (1610): William Christie conducts Les Arts Florissants in the festival's closing concert; at St Paul's Cathedral, EC4; Jul 10

OPERA
Royal Opera House
Tel: 44-171-304 4000
Simon Boccanegra (1857): British stage premiere of this, the original version of Verdi's opera. Mark Elder conducts, Ian Judge directs. Sergei Leiferkus, Plácido Domingo and Kallen Esperian star; Jul 8, 10

DANCE
London Coliseum
Tel: 44-171-632 8300
● The Kirov Ballet: Don Quixote – a highlight of the month-long season, with choreography by Petipa; casts vary; Jul 8, 9, 10
● The Kirov Ballet: Swan Lake – casts vary; Jul 11, 12

Royal Opera House
Tel: 44-171-304 4000
The Royal Ballet: mixed programme includes Twyla Tharp's *Push Comes to Shove*, William Forsythe's *Steptext*, and *Symphony in C*, choreographed by Balanchine to music by Bizet. The final performance will be the last ballet at Covent Garden before the theatre closes for renovation; Jul 9

■ NEW YORK

CONCERTS
Lincoln Center Festival 97
Tel: 1-212-875 5030
● New York Philharmonic at the Avery Fisher Hall. Conducted by Kurt Masur in the first of three programmes celebrating the music of jazz maestro Ornette Coleman, whose octet Prime Time joins the orchestra in a performance of *Skies of America*; Jul 8, 9
● Ornette Coleman: with Charlies Haden and Billy Higgins plus guests, at the Avery Fisher Hall; Jul 10
● Ornette Coleman: and Prime Time with dancers, rapper and video artists in a special expanded version of Tone Dialling, at the Avery Fisher Hall; Jul 11

■ PARIS

DANCE
Opéra National de Paris, Palais Garnier Tel: 33-1-4343 9696
Sylvia: the Opera Ballet performs a new version, with fresh choreography by John Neumeier, to music by Delibes; Jul 7-12

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-4473 1300
● Manon: by Massenet. Musical director Gary Bertini presides over a staging by Gilbert Deflo, with designs by William Orlandi; Jul 7, 10, 12
● Rigoletto: James Conlon conducts Jérôme Savary's staging of Verdi's opera, with sets by Michel Lebois; Jul 8, 11

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● La Traviata: Linda Brovsky directs this new production of Verdi's opera, set in the Parisian demimonde. Patricia Racette is Violetta, Raymond Very is Alfredo, William Stone is Germont. Until July 9 the conductor is John Crosby, when Christopher Larkin takes over; Jul 9
● Cosi Fan Tutte: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwengl; Jul 11
● Semele: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the title role; Jul 12

■ SCHLESWIG-HOLSTEIN

OPERA
Music Festival
Tel: 49-431-567080
Moses and Aron: by Schoenberg. Co-production between Oper Leipzig and the NationalTheater Weimar, in a staging by George Tabori. George Alexander Albrecht conducts; Jul 9

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
Seiji Ozawa conducts the Boston Symphony Orchestra in a programme of works by Brahms, with violin soloist Maxim Vengerov; at the Shed; Jul 11

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Squawk Box

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European Money Wheel

18.00
Financial Times Business Tonight

COMMENT & ANALYSIS

Samuel Brittan

Fiscal balance is right

The Budget has done little to resolve the Bank of England's sterling and interest rate dilemma – but it could not have been expected to do so

Unlike many financial commentators, I find Mr Gordon Brown's fiscal arithmetic strikes just about the right balance. This is not because he has tightened up much fiscally. He has not. The public finances were moving rapidly into balance and all the chancellor needed to do was to err a little on the side of caution.

Many critics complain that too little of the budgetary tightening is directed towards consumer spending. But a much better reason for regarding it as modest is that, of the £5.9bn reduction in borrowing announced for this year, and the £6.8bn reduction announced for 1998-99 – excluding the windfall tax – about half comes from changes in estimating and forecasting, the latter reflecting the higher economic growth rate now expected by the Treasury.

The discretionary tightening due to Mr Brown's new measures amount to only 0.4 per cent of gross domestic product. But no more was necessary in view of the rapidity with which the public finances are improving.

Many commentators wanted a tighter Budget, not for reasons of fiscal balance but to cut the 4-4¼ per cent growth in consumer spending expected this year and next, and thereby reduce the need for interest rate increases. These present an embarrassing dilemma for the Bank of England as sterling is already too high and the prospect of higher interest rates is pushing it up more.

But as Mr Eddie George, the governor, has explained, the meaning of a dilemma is that it has no good answer. The only way of abolishing the contradiction between the needs of the domestic economy and that of the exchange rate would be to abolish the latter. European monetary union might have done that for nearly half of Britain's overseas trade. But there is no denying that the Emu project is now looking sick. Watch this space for ideas on how to revive it on a different basis.

Meanwhile, the chancellor's City critics overlook the fact that fiscal policy in most countries is directed towards achieving some sort of balance over the business cycle and has been more or less abandoned as an instrument of demand management. They forget that in the late 1980s – to which they so often refer – there was a large budget surplus, which did not prevent overheating and an increase in base rates to 15 per cent.

One reason why fiscal fine-tuning has often proved so disappointing is that consumers have some subconscious concept of their long-run "permanent income". They tend to absorb temporary changes in their disposable income due to tax changes or other causes by making temporary adjustments in their savings rate. Indeed a rising tax-take, more than offset by a falling savings ratio, is precisely what the Treasury expects during 1996-98.

Of course, it is true that a sufficiently ferocious tax increase in an emergency atmosphere could shatter people's confidence in the future and their view of likely long-run income. Such a shock would have been far too high a price to pay for avoiding interest rate increases.

My greatest fear in advance was that Mr Brown would make a great song and dance about his supposed inheritance and use this as an excuse for a massive deflationary increase in the tax burden. He might just have got away with it within the letter of his pledge not to raise income tax rates. If he had done so – and the economy had recovered from the consequent blow to confidence – the extra revenue would ultimately have gone into increased government spending, as sure as night follows day.

Indeed, I had taken the precaution of securing a biography of Philip Snowden, chancellor in Ramsay MacDonald's 1929-31 Labour government, who combined strong socialist principles with excessive adherence to orthodox finance, even in time of depression. The biography can now be put aside for holiday reading.

The Budget Red Book is in fact reassuring on public spending. Mr Kenneth Clarke, the former chancellor, was often able to combine tight spending guidelines with increased spending on health and education by allocating part of the contingency reserve for these services; and Mr Brown has managed to seize credit by announcing this allocation a few months earlier than usual.

Spending for the three years after 1998-99, which is not covered by plans inherited from the Conservatives, is projected on three alternative assumptions. The *highest* of these is that it grows no faster than a very conservative estimate of the long growth rate of 2¼ per cent a year.

If you look at the public spending ratio since the early 1970s, by far the biggest influence is the state of the economy. For the ratio rose very quickly in the last three recessions and fell at other times. The underlying trend peaked in the mid-1970s, followed by a gradual downward move first under the Conservatives and now under New Labour. The Labour MPs who cheered the chancellor when he announced his five-year fiscal plan were either more "new" than one would have dared to hope or, more likely, did not take in the implications of what they had been promised.

Another worry in the light of some of Mr Brown's speeches of some years ago was that he would bang on in Old Labour fashion about manufacturing, investment and the balance of payments and then introduce distortionary measures to implement such mercantilist prejudices. In the event, he did not bemoan the inevitable shift from manufacturing to services and simply devoted a half-sentence to the deteriorating official balance of payments forecast. He did go on a bit about investment – which the market economist regards as an accompaniment of growth rather than its motor. But he avoided going back to massive fiscal subsidies for capital spending. His depreciation incentives are confined to smaller companies and are strictly temporary.

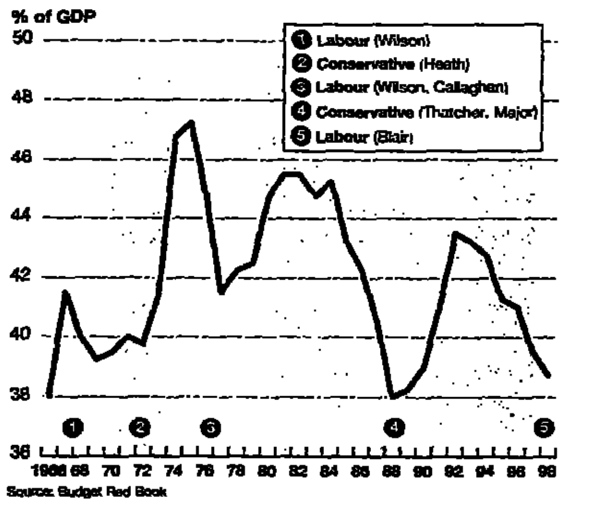
The work-to-welfare programme has been extensively discussed already. Experience in other countries should caution us against expecting too much from it. But with one UK family in five having no working member it really is well worth trying.

As so often with Budgets, the most constructive part referred not to immediate measures but to ones in contemplation. By far the most exciting sentence was that Mr Martin Taylor (in his spare time from running Barclays Bank) was being asked to consider increased topping-up of incomes for people at work on low incomes on the lines of the US earned income credit tax, and reducing the steepness of the taper on means-tested benefits. If these aspects do not interest many City analysts so much the worse for them.

The most objectionable feature of the Budget to an economic liberal, apart from the windfall tax on utilities, is the abolition of dividend tax credits for pension funds. This seems to a non-expert a move away from tax neutrality despite the partial offset of a lower rate of corporation tax.

The great disappointment was on mortgage interest relief. Having gone on at length about the origins of boom and bust in the housing market, the chancellor merely went one further small step along the road charted by his Conservative predecessors in phasing out the relief. It is difficult to avoid the suspicion that his neighbour, Mr Tony Blair, has already assumed the traditional prime ministerial role of defender of middle-class perks.

General government expenditure



Source: Budget Red Book

LETTERS TO THE EDITOR

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A matter of trust that is key to German belief in stable Emu

From Mr Norbert Häring.

Sir, In your leader "Kohl's hard line on Emu" (July 3) you make the points that Germany's narrow interpretation of the deficit limits in the Maastricht treaty is not supported by the text and that it is nonsense to believe Emu will be less stable because some (important) countries have a deficit slightly above 3 per cent at the start.

Your first argument rests on an unwarranted generalisation of a remark of Helmut Kohl, German chancellor, in Bavaria, home of Germany's only senior politicians who are outspoken Eurosceptics. The optimism of the financial markets regarding a timely start of a wide Emu has not been dented by this remark at all.

Having tied his political fate to a timely start of Emu, it is safe to assume that Mr Kohl will adhere to a very flexible interpretation of his statement when decision time comes.

He will do so, in spite of the fact that it will cause the majority of Germans to disbelieve the promise of a stable Emu. The decimal discussion is not a matter of arithmetic. It is a matter of signalling and trust.

Who would seriously believe that the severe but negotiable fines laid down in the stability pact would ever be imposed, if Emu starts with several important countries leaving a deficit ratio which would make them subject to a fine a year later?

If they cannot get their finances in order within the five years from 1992 to 1997, even under the threat of being excluded from Emu, how can they seriously be expected to suffer the pain of cutting expenditure and raising taxes after this threat has gone away?

A reviving business cycle alone will definitely not do the trick.

Norbert Häring,
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60385 Frankfurt,
Germany

UK's work scheme must make sense

From Mr Simon Sperryn.

Sir, In your leader "Transforming welfare" (July 4), you are right to emphasise that the success of the UK government's welfare to work scheme depends on commitment from Britain's employers. The Chamber would go one step further. In practical terms the take-up will depend on designing a scheme which makes business sense.

Commitment alone is not enough. There is goodwill among many companies to help reduce long-term unemployment, but we must make it easy for the ordinary small business to take part.

Effective delivery at local level will therefore be vital, as will a minimum of bureaucracy and form-filling.

Above all, employers need to know that the training and support which the scheme provides will equip individuals with the necessary skills and confidence to hold down a job. Given these ingredients business can play its part.

Simon Sperryn,
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Focus on climbing R&D league table

From Mr Chris Ogden.

Sir, The problem, I suspect, with the UK's low level of R&D investment ("The financial R&D scoreboard", June 26) is the perception that R&D enjoys in the UK. Here, R&D still tends to be thought of as something carried out by boffins in a laboratory. A better way of thinking about it would be as "applied innovation".

R&D can be both pure research, with no immediate commercial outcome targeted, as well as more commercially directed research.

Perhaps we have the balance wrong. Clive Cookson's article did not examine the problems of connecting at least a good part of R&D investment into commercially viable outcomes.

As the effects of the digital economy become increasingly important to the economic health of this country, R&D spending in service industries will become more significant.

These investments will have to be focused more on turning ideas into products and services that can generate competitive advantage. Perhaps then the UK will begin to move faster up the R&D league table.

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Personal View • Henry Kaufman

A safe and sound system

A supervisory board should oversee the global financial system of markets

&Leaders of the Group of Seven main industrial nations are spearheading an initiative to oversee global financial institutions and markets. This involves greater information sharing and harmonising some supervisory practices.

The rationale behind the initiative, launched at the Denver Economic Summit last month, is that a better information flow will enable regulatory authorities to avert future shocks to the financial system, such as those that followed the Mexican peso crisis of 1994-95.

This modest step, while perhaps in the right direction, is neither novel nor remotely adequate to the task of assuring a safe and sound global financial system.

Transformation of global financial markets has proceeded at a tremendous pace: meanwhile the infrastructure for supervising and regulating financial institutions and markets has remained national and lagged badly behind marketplace developments. The supervisory apparatus has yet to come to grips with the main driving forces of the new world of global finance: securitisation, institutional change and consolidation, the changing nature of asset management, and the growth of derivatives.

Securitisation means that assets that used to be held to maturity on the balance sheets of traditional financial institutions, mainly banks and insurance companies, are now packaged and sold into an open market. It stands to reason that the greater the proportion of financial assets that are marketable, the greater the potential for volatile price movements. And the greater the volatility in asset prices, the higher the probability that large losses may threaten the viability of some market participants.

Institutional change and consolidation have reduced the number of market participants capable of having a large influence on movements in asset prices. Thus, unlike the textbook world of perfect competition, the decisions and trading activities of a progressively smaller number of participants are determining the evolution of asset prices. Correspondingly, if any large institution gets into trouble, it threatens far-reaching consequences for the system as a whole.

Equally worrisome are those participants, such as hedge funds, that have a short-term horizon in their investment activities and may deploy massive leverage in managing their portfolios. These entities are essentially unregulated, but they have intricate trading relationships with most important participants in global markets. If one or more of them got into trouble, the system would be endangered. The question of how to deal with large unregulated institutions seems to be ignored in the G7 proposal.

Finally, the rapid growth and increasing complexity of financial derivatives – futures, swaps, options, and securities created to embed various combinations of all of them – has multiplied the potential for a shock to careen through the financial system. It has increased the capacity of market participants to take speculative positions in financial markets, to trade those positions at a moment's notice, and to use considerable amounts of leverage in the process.

Today, concerns about potential financial shocks appear distant and somewhat hypothetical. After all, we are living in euphoric financial times. Monetary accommodation by central banks is nearly universal. Liquidity is abundant. Credit availability is ample and deemed irrevocable.

> The global marketplace will be severely tested when business activity picks up outside the US, liquidity shrinks, and credit conditions tighten

It is true that only the US has been able to sustain a reasonably solid economic expansion. The economies of most other leading industrial countries are still labouring. But from the perspective of global financial markets, this imbalance has the benefit of keeping product markets highly competitive.

However, it is worth contemplating a different, and less benign, scenario. The expansive global marketplace will be severely tested when business activity picks up outside the US, liquidity shrinks, and credit conditions tighten. At some point, the dynamic, securitised, globalised marketplace in which confidence is now so high, will be faced with heightened risks. At that point, the need for improved supervisory capabilities will be apparent.

We must move far more speedily to establish a formal institution with genuine authority over global financial institutions and markets. This is the only way to lessen the danger of a market meltdown the next time market conditions turn less favourable. Just as important, it is essential for achieving competitive equity among market participants.

Therefore, instead of the G7's modest proposal for loose co-operation and better information exchanges, I again recommend a more ambitious initiative: a Board of Overseers of leading international institutions and markets should be organised by the key industrial nations. The board should consist of central bank officials, other governmental financial officials, and also private-sector members. It should have the mandate to take on the whole range of difficult issues that are raised by the globalisation of finance.

Among other important tasks, the board would set minimum capital requirements for all major financial institutions. It would establish uniform trading, reporting and disclosure standards for open credit markets, so that the private sector would be in a position to make informed judgments and not have to depend as much on supervisors to weed out the weak links.

Naturally, my plan will be rejected by some who think either that today's favourable financial conditions will last indefinitely or, if not, that national financial authorities can always rig up ad hoc support packages through existing organisations. To them I would point to the repeated threats to financial wellbeing that have occurred in just the past 10 years, even in a generally favourable economic climate, and the greatly increased price-tag of waiting until a crisis hits before taking remedial action. My recommendation will also be vigorously opposed by some who would perceive a loss of national sovereignty in the establishment of such an international board. To these, I would point out that the globalisation of finance has already eroded some pristine concept of national sovereignty. No one has an interest in setting up the kind of highly intrusive and economically damaging apparatus that would impede flows of capital and investment.

Inertia is the greatest enemy of preventative action. I concede that it may be impractical to expect legislative bodies to agree to such a fundamental innovation except after a crisis. But it is exactly such a systemic catastrophe that we must avert.

In the meantime, we ought to recognise that the global financial system is an incubator of risk.

Markets always tend to gravitate to the area where terms are the most liberal and the constraints are the lightest.

In short, the longer the present exuberance in financial markets goes on, the stronger the case for instituting a rigorous multinational system of financial supervision.

The author is president of Henry Kaufman, the Wall Street investment fund.

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Monday July 7 1997

Clouds in Madrid skies

The Nato heads of government gathering in Madrid this week will have some grounds for quiet satisfaction, and some reasons for serious concern.

The good news is that Nato has, so far at least, succeeded better than anyone ever expected in charting a path to enlargement in central Europe without forfeiting relations with Russia or creating a backlash among disappointed would-be members. So carefully has the way to enlargement been prepared that there is no longer much controversy over the main business of the Madrid summit – issuing invitations to Poland, Hungary and the Czech Republic to join Nato by 1999.

Some noise will be created in Madrid by the European demand for an immediate invitation to Romania and Slovenia, but it will hardly spoil the party. The demand is being made in the happy certainty that there is no chance of the US being forced to take in any more members than it wants.

The harsh reality that Washington enjoys overwhelming power in the alliance is still difficult for some Europeans to swallow. That is one reason why Nato has failed in another task: the establishment of a new division of labour between the US and its allies in the management of European security, which would allow some European-led missions to use Nato equipment.

Some progress has been made, but the euphoria which marked last summer's Nato conference in Berlin, which supposedly ushered in a restructured, Europeanised Nato, has long since evaporated.

Unrealistic demands

In particular, the promised rapprochement between France and the military structure of Nato has failed to materialise, and looks unlikely to be achieved in the near future. This is partly because France put forward unrealistic demands as the price for its reintegration. If France had pitched its demands at a more modest level, it might now be in command of a new Nato facility with responsibilities for the western Mediterranean. But the failure to agree on terms for bringing France back into the fold reflects more fundamental differences between Paris and Washington.

For French officials, the decision to rejoin Nato's military wing was courageous and far-sighted, deserving a generous response from Washington. US officials tend to see it as a long-overdue reversal of an irrational decision by Gen Charles de Gaulle to leave in 1966.

Main task threatened

There is something paradoxical about the fact that Nato has managed to walk through the minefield of enlargement in central and eastern Europe without running into any serious problems, but the ostensibly simpler task of sorting out relations between the US and its west European allies has proved impossible. There is a real danger that misunderstandings between Washington and western Europe could impede the alliance's main task in years to come, which is projecting security eastwards.

The US Senate is already asking hard questions about how the cost of Nato enlargement will be shared among the 16 allies. While most senators seem inclined to approve enlargement when it comes up for ratification next year, a general worsening in transatlantic security relations will deepen the suspicion of expansion which some US legislators feel.

The other area where transatlantic bickering could do real damage is Bosnia. The former Balkan war zone risks sliding back towards conflict unless some way is found of finessing the firm US refusal to keep troops in Bosnia after mid-1998, and the European peacekeepers' reluctance to stay without US help.

These clouds mean that the Nato leaders in Madrid have little time for idle self-congratulation. The alliance must put its own house in order as well as building extra wings.

Orangemen's own goal

It is bad news for a town when its street map appears on front pages or TV screens. But that is what the citizens of Portadown, a small town in Northern Ireland, have achieved. For the third year running the world has had to concern itself with the route taken by members of the Orange Order, symbol of Protestant supremacy in the province, on their march back to the town from a Sunday service in nearby Drumcree.

For the third time the Orangemen "won" by exercising their right to march, under heavy police guard, through a mainly Roman Catholic residential area. But, as before, the victory may prove Pyrrhic. Each year this ritual inflames feelings of outrage and humiliation among Irish nationalists, pushing more of them to support the IRA. Each year it drives a wedge between Ulster unionists and the British state to which they profess such passionate loyalty.

This time a new British government, whose leader began his term with an unusually firm statement of unionist faith, has found itself forced into an unnecessary confrontation with Irish nationalism and a sharp disagreement with Dublin. The whole province is now bracing itself for a nationalist backlash over the next few weeks.

It is of course true that these confrontations are largely stage-managed by the Republican movement, as Mr Gerry Adams, the Sinn Féin leader, actually boasted in a televised interview earlier this year. All the more reason for unionists not to play into Sinn Féin's hands, as the Orange Order did by refusing to meet with the elected representatives of the Catholic residents.

Belated understanding

This year some leading Orangemen, including Mr Robert Saulters, "grand master" of the Orange Order, showed belated signs of understanding the need for compromise, but lacked the authority to impose one on local militants. They were not helped, admittedly, by the new Irish prime minister, Mr Bertie Ahern, who on a visit to Belfast last week publicly instructed the UK government to interfere with the freedom of movement of UK citizens on UK territory – hardly the way to reassure unionists or encourage compromise.

Neither the previous nor the present British governments, however good their intentions, can escape their share of responsibility. Last year the Conservative government all but surrendered its responsibility for law and order, leaving matters in the hands of a chief constable who first decided to ban the march, then backed down in face of mob violence. The same government then failed to act in time on the recommendations of the North committee, which would have transferred responsibility for decisions about political parades from the Royal Ulster Constabulary to an independent and representative commission.

Closer consultation

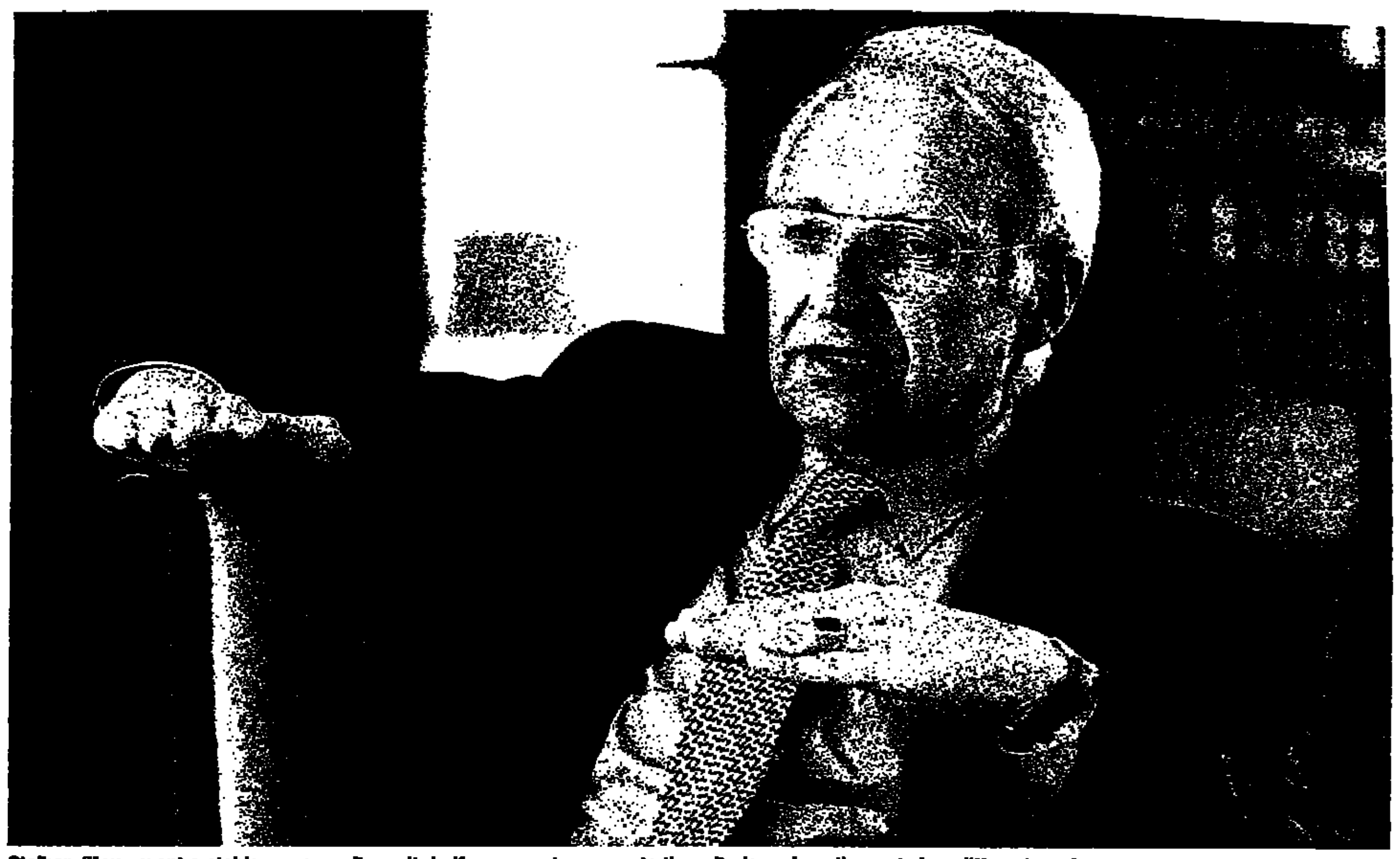
The Labour government, which arrived in office too late to implement the North report before this year's marching season, has acted in much closer consultation with the RUC, and its new chief constable, Mr Ronnie Flanagan. It sensibly avoided announcing a decision until the last minute while Ms Mo Mowlam, the Northern Ireland secretary, continued her efforts to broker a compromise. But Labour could perhaps have spared Mr Flanagan some of the odium by asking the Parades Commission for recommendations, even though these would not have had the force of law.

The most urgent task now is to rekindle the hopes that moderate nationalists placed in the peace process, by pressing ahead with the constitutional talks as fast as possible. That means that the issue of decommissioning paramilitary weapons must be disposed of before the summer recess, by getting the unionist leadership to endorse the formula worked out between the new UK and old Irish governments in their brief overlap. After all that has happened Mr David Trimble, the Ulster Unionist leader, owes Mr Tony Blair at least that much.

The FT Interview • Edmund Stoiber

Defender of a decimal point

Bavaria's prime minister tells **Peter Norman** why he is being a thorn in Helmut Kohl's side over the criteria for monetary union



Stoiber: 'If you want a stable currency, it won't do if one country respects the criteria and another acts in a different way'

Picture: Wolfgang von Brauchitsch

You can forgive Mr Edmund Stoiber for looking pleased with himself. Over the past month, Bavaria's 55-year-old prime minister has made himself the most talked-about politician in Germany through his campaign for an ultra-strict interpretation of the Maastricht treaty's terms for launching European economic and monetary union.

Last week, he manoeuvred Mr Helmut Kohl, the chancellor and – on paper at least – a political ally, into agreeing that for Germany, the public deficit limit for Emu should be interpreted narrowly as 3.0 per cent of gross domestic product.

Abstruse though the achievement may sound, it has greatly increased the difficulties facing Mr Kohl in making his country fit to be a member of the single currency from January 1 1999. Germany, having lectured its neighbours on the need for fiscal rectitude for many years, missed the Maastricht deficit criterion both in 1995 and 1996. Members of Mr Kohl's Christian Democrat Union and his small Free Democrat coalition partner had been suggesting some flexibility on the upside in 1997, the key year for establishing which countries can launch the euro in 18 months.

Mr Stoiber has put a stop to that. So what lies behind his campaign? Is he against the euro as such? Is it a political plot rooted in the complexities of Bavarian party politics? (Mr Stoiber's critics whisper that he is trying to give himself and his party, the Christian Social Union, a high profile for the Bavarian state elections in mid-September 1998 by scoring off his CDU allies.) Or is Mr Stoiber standing up for the interests of ordinary Germans who remain deeply sceptical of Emu more than five years after the signing of the Maastricht treaty?

Interviewed in the modest office he uses when in Bonn, Mr Stoiber declares that he is "an absolute supporter of a stable euro". The single currency is in Europe's, Germany's and Bavaria's interests. But it must, he insists, be "stable" and the conditions agreed for its introduction "must be fulfilled".

The charge of politicking he dismisses out of hand. "My position has nothing to do with elections but is about the stability of the euro and the trust that people have in politics, politicians and political parties. If for five years we say that the euro will be as stable as the D-Mark, that the criteria must be strictly applied, that the criteria have precedence over the timetable and, if a year before January 1 1999, we suddenly start saying the opposite, then as far as I'm concerned we lose our competence to govern – and not just as far as the euro is concerned but in many other areas."

This is strong stuff. In the following hour, Mr Stoiber expounds further on the economic and political dangers that a weak euro would entail for Germany and Europe. And gradually it becomes clear what a problem Mr Stoiber presents for Mr Kohl.

For while the chancellor is content to assert that the euro will come on January 1 1999, that Germany and sufficient other countries will meet the criteria and that Emu is vital for Europe's peace and prosperity, Mr Stoiber has a long memory and goes back to first principles.

He examines the euro with forensic zeal. As he does so, his appearance changes from that of a benign, wispy-haired head of a minor university into something altogether more explosive. The angular face and pale blue eyes come alive with passion as he explains how economically important it is to keep to the 3.0 deficit limit and as he warns that failure to meet the economic conditions for a stable euro could harbour grave political risks for the future.

He expresses hurt surprise that his stance on the criteria has been criticised. It was, after all, "the position of the overwhelming majority of the Bundestag and the Bundesrat [the two houses of parliament in Bonn] in 1992. And the criteria were not chosen by chance."

Unlike the US, the euro area will have "no single financial policy, no single tax policy, no single social policy, no single economic policy. All member states will retain their full sovereignty and autonomy." For that reason, "we need certain binding criteria to make the results of the differing policies comparable".

The deficit criterion and the Maastricht rule that limits a country's overall debt to 60 per cent of GDP were chosen "because we wanted the same culture of stability. The higher a state's debt, the less scope for investment. If you have one country with high debt and little investment, and another with low debt and much investment, you get a divergence in the monetary union and, finally, demands for transfers to balance things out between the weaker and the stronger.

"To avoid that, we passed a detailed resolution in the Bundestag and Bundesrat when we ratified Emu with the decisive sentence that: 'The euro must be as stable as the D-Mark.'"

There are also strong political arguments for the statement. "The D-Mark has a different importance in Germany than the franc in France, the lira in Italy and the peseta in Spain. After the second world war, we were at rock bottom. The D-Mark reflects this country's recovery as a functioning democracy and welfare state and an economically important, medium-sized power.

"Also there are in the German collective consciousness two hyper-inflations which wiped out the lifetime achievements of many millions of people overnight. The D-Mark is the first proper currency we have had since the Kaiser's time. So stability is more important for Germany than for other countries."

But surely, I ask, a few decimal points over 3.0 per cent would be acceptable? "No," he insists. "One tenth of one per cent means DM4bn (£1.36bn) in Germany alone: that is not peanuts." He adds that the 3.0 per cent is economically important. It was chosen when all EU countries had an overall indebtedness of 57 per cent of European GDP. The framers of the Maastricht treaty assumed a nominal growth of 5 per cent and chose 3 per cent as the deficit limit with the aim of reducing overall indebtedness.

"Now the opposite has happened. Today, in 1997, we have overall indebtedness of 71 per cent. If we really held to the presumptions of 1991, we should reduce the 3 per cent because we have more debt and less growth.

"And also we have agreed a stability pact, in which 3 per cent is the upper limit. From 1999, any country exceeding 3 per cent must in principle pay a penalty. You can't join a club by observing rules that are less stringent than those that apply in the club." All this was never disputed in Germany. "And it was never in dispute in Germany that the criteria should determine the timetable."

But, I point out, elsewhere, in France for example, the government openly admits it will not hit 3.0 per cent this year. "At this stage, we don't have to evaluate the situation in other countries. We will see what France achieves and then we will comment." But, he adds: "The criteria have to apply equally to all. If you want a stable currency, it won't do if one country respects the criteria and another acts in a different way. For better or worse, this is a marriage without a dissolution."

It is here that Mr Stoiber makes his plea for a "controlled delay" to Emu of perhaps one or two years rather than its starting with a weak euro. "A weakening of the criteria would have incalculable consequences." A weak currency "means inflation, higher interest rates, less investment, more unemployment". It is also "unsocial because ordinary people who have a small or fixed incomes suffer from inflation most of all. It's not those who have big incomes, assets and property who suffer".

He points out that "60 per cent of Germans have no real estate. They live from their pensions, their wages or their life insurance policies and savings. The value of money is vitally importance for these people. One per cent inflation means a DM50bn loss in value".

Thus the 3 per cent and the zero behind the decimal point give important signals. "You have to see that the 3 per cent has become almost a fact of life. People don't understand the complexities of the single currency. But the 3 per cent is a totem of stability. And if now, a few months before the decision, we change the 3 per cent to 3.2 or 3.3 or 3.7, then the general public will say: 'The euro: oh yes, that is less stable.'"

A weak euro would "damage what people have managed to build up during their lifetimes". Taking out and waving his wallet, Mr Stoiber declares: "This is an issue that affects everybody. Everybody has money in their pocket. And people will not understand if politicians weaken what people have in their wallets. What right have we to confiscate their wealth through inflation?

"If we risked that, we could face an extraordinarily unstable political situation. I worry that if the euro turns out to be unstable and we come to 2005 or 2007 people will look at their life insurance policies and measure whether they are worth what they were seven years before. And if they are not, then I have the very deep-seated worry that the European integration process will be turned backwards rather than forwards."

It is a worrying vision followed by one that is even worse. "Just think, we have built a stable democratic system. We have no far-right radical parties in this country. I am worried that if the euro turns out to be a weak currency, instead of a great opportunity, that people in 2005 or 2006 could turn to such an alternative."

OBSERVER

Mexican wavering

■ There was a distinct feeling of poetic justice in Mexico City yesterday as Cuauhtémoc Cárdenas looked poised to take the lead in the first election of a mayor for the capital. Most Mexicans believe Cárdenas, the son of a venerable president who nationalised the oil industry back in the 1930s, was cheated of victory nine years ago in the presidential race. There was a "computer breakdown" on the night of the election as the first results started to come in; when the count restarted, Carlos Salinas of the ruling PRI was suddenly ahead.

But Cárdenas's implacable opposition to Salinas and all he stood for – a Harvard education, privatisations, the North American Free Trade Agreement – has since earned him handsome dividends. Salinas was a popular president, but his name became mud following the devaluation of the peso in December 1994. Mexicans remembered the man who opposed Salinas from the start, and – after a poor third place in the 1994 presidential race – Cárdenas's political resurrection began in earnest.

If he becomes the capital's first directly elected mayor, 63-year-old Cárdenas will be in a strong position to take yet another stab at the presidency in 2000. Twelve long years after his famous presidential defeat, Cárdenas could finally get the last laugh.

Holiday hell

■ Notwithstanding their generally serious approach to life, Germans like a joke as much as the next person. But a television presenter's tongue-in-cheek comment about a new tax on their beloved foreign holidays has gone down about as well as a thunderstorm on the riviera.

Viewers failed to see the funny side of the quip that they would have to fork out DM150 for vacations outside the Fatherland; the finance and foreign ministries, airports and travel agents were deluged with anxious enquiries as the holiday season gets under way. Nor did Theo Waigel – the beleaguered finance minister who could certainly do with the money – think much of the prank. He reckons the salary of TV presenter Klaus Bednarz should be cut and that he should be "sent to the devil".

Bednarz, who fronts the Monitor current affairs programme, was unmoved. "Politicians have brought people to a state where they will believe even the most absurd things about tax policy," he observed. That, at least, is no joke.

Sin taxes

■ It's hard enough being president without friends turning into foes. Fidel Ramos of the Philippines is under fire again, this time from Cardinal Jaime Sin, the country's best-known cleric who, together with Ramos, played a leading role in the People Power revolution which overthrew Ferdinand Marcos in 1986.

Sin, up to now an ally, has lashed out at Ramos amid increasing concern that the president is still trying to prolong his stay in office through constitutional change. "Let us resolutely oppose those who plot to tamper with the constitution," says the cardinal. And the criticism doesn't stop there: Sin also argues that some of Ramos' appointments to high positions have turned out to be "disasters".

As for the much-maligned president, he's trying not to inflame the situation. "I will work harder," he says.

Cold shoulder

■ Fancy getting rid of the boss for a couple of weeks? British explorer Robert Swan – a thick-skinned type who's walked to both north and south poles – has the answer. For a mere £45,000 you can buy a debenture to help fund his five-year mission to research and publicise the plight of Antarctica; as well as helping to save the planet, companies sponsoring the project also get a berth each year on a chilly two-week cruise.

In addition to working with boffins on board, the idea is that passengers will help spread the environmental word when they get back home. It couldn't be easier – just turn up in Punta Arenas in Chile and Swan's helicopter will pick you up for a couple of weeks pottering about among penguins.

If the idea appeals, Swan's steel-hulled, ice-breaking sailing ship is cruising round Europe looking for additional sponsors. It'll be in the Netherlands in a few weeks time; Swan reckons the Dutch have more reason to worry than most about melting ice-caps and rising sea levels.

Half helix

■ A fresh euphemism for job cuts from Fred Hassan, tough new chief executive of troubled drugs company Pharmacia & Upjohn. Explaining the company's predicament he declared: "We must reduce the amount of DNA in this company."

The Financial Times

100 years ago

Bizarre Currency In America
The currency question in the United States is always presenting some new feature of interest, and an enterprising Boston newspaper has recently given to the world some curious information regarding the methods of exchange in the Far West. Our contemporary assures us that an Eastern man who had occasion to spend many months in Montana tells of having seen a person buy a box of matches with a watermelon and receive as change two muskmelons. Another paid for suspenders in turnips and got a carrot or two back with his purchase.

50 years ago

Recovery In Belgium
Belgian circles have been keenly struck by the declaration, made last week by Mr. Oliver Lyttleton in the House of Commons, that Belgium had been a very well managed country as far as its economy was concerned. The policy followed by the Belgian government since the liberation has been swayed by the concern to renew stocks and to assure the restoration of the people's diet. To attain this double end, the Government has made more flexible the system of imports.

FINANCIAL TIMES
Monday July 7 1997

Policewoman shot as nationalist anger rises in province

Violence in Ulster after Protestant march

By John Murray Brown and Robert Wright in Portadown

A Protestant march through a Roman Catholic district of Portadown passed off relatively peacefully yesterday despite nationalist protests, after police mounted an early-morning operation to secure the route.

After weeks of fruitless negotiation to resolve the marching dispute, it took barely 10 minutes for up to 1,200 Protestant Orangemen of the Portadown Lodge to complete the march down the contentious stretch of the Garvaghy Road. Residents were hemmed in by anti-riot police and armoured vehicles.

As security forces withdrew from the area, they briefly came under a hail of stones and bottles and responded with several rounds of plastic bullets. A number of residents were injured.

The Royal Ulster Constabulary said six of its men were injured, but not seriously.

Last night a policewoman was shot and injured in a gun attack on a patrol in Coalisland, County Tyrone.

She was part of a three-member RUC patrol sitting in a vehicle outside the local police station when a man ran out of a nearby bar and opened fire with a shotgun, said an RUC spokesman.

Mr Ronnie Flanagan, chief constable, said he had reluctantly given approval for the march to go ahead, in the face of loyalist terrorist threats if it were rerouted.

Ms Mo Mowlam, the Northern Ireland secretary, indicated she would take a sympathetic view of nationalist concerns when framing legislation on contentious parades later this year.

"I understand your feelings and I will address them in legislating on this issue. I am only sorry that option was not open to me this summer," she said.

The decision to allow the march triggered nationalist rioting which continued last night, with youths burning cars in West Belfast.

Armed men seized a train in county Armagh and burned out several carriages.

Mr Martin McGuinness, chief negotiator for Sinn Fein, the IRA's political wing, said there was "a seething anger and resentment".

He accused Orangemen of thinking "they have a God-given right, no matter what demographic changes have taken place in the north of Ireland, to march straight through nationalist areas".

Security forces were on full alert across the province, expecting such a nationalist reaction. In Newry, County Down, a tanker was hijacked and set on fire and in Dungannon, County Tyrone, an Orange hall was set alight.

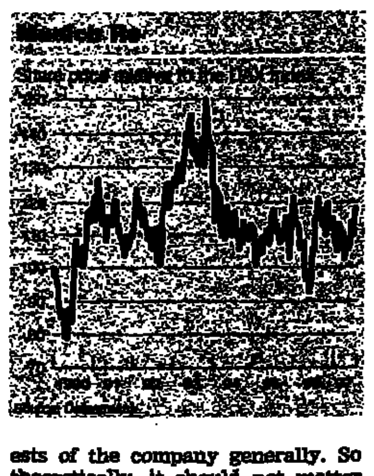
A resident of Portadown comforts a neighbour during the protest against yesterday's loyalist Orange Order march Reuter

Editorial Comment, Page 15

THE LEX COLUMN

Munich merger

The spectre of real competition is starting to haunt the cosy world of German insurance. The proposed merger of Victoria and Hamburg Mannheimer – under the guiding hand of Munich Re – produces a group with premium income of DM21bn ($12bn) and 10 per cent of the German market for life and general insurance. For the first time, this creates a worthy rival to Allianz, which dominates the industry with a 20 per cent share.



The merger signals a more aggressive approach by Munich Re, the world's biggest reinsurer, which will own 55-60 per cent of the new group. Munich Re had drifted into primary insurance almost by default, inheriting Hamburg Mannheimer and health insurer DKV after Allianz was forced to sell them on. Adding Victoria will bring critical mass in distribution, while cost savings and cross-selling benefits could add DM400m to annual profits by 2000. That explains the 10 per cent jump in its shares on Friday.

The question now is how Allianz will react. Buying a rival of any size would raise monopoly problems, so Allianz may choose just to defend its current market share. More imaginatively, it could boost revenues by adding a new distribution channel alongside its network of tied agents. In practice, that probably means buying a retail bank – if it really wanted to, it could take over Dresdner, where it already owns 23 per cent. A more likely first step, now that they are direct competitors, is for Allianz and Munich Re to sell their 25 per cent holdings in each other.

Controlling stakes

Minority shareholders should sit up and take note: the London stock exchange is considering ditching its traditional requirement that, in a company with a controlling shareholder, a majority of the directors must be independent. The rule, which aims to prevent such shareholders exploiting their clout to the disadvantage of others, currently bites on stakes of more than 30 per cent – high-profile cases such as BSkyB (News Corporation), Orange (Hutchison Whampoa), Cable & Wireless Communications (C&W) or Rentokil (Sophus Berendsen) spring to mind.

So why might this helpful buttress of shareholder rights disappear? Two arguments are put forward. First, directors are already legally obliged to act in the interests of the company generally. So theoretically, it should not matter whether individuals have a financial connection to a big shareholder or not. Second, the exchange says it would prefer companies and their controlling shareholders to publish a text formally setting out their relationship. That, the argument runs, would be a more satisfactory form of protection than independent directors.

Well, maybe. Certainly such public documents would be no bad thing. But what happens if minority shareholders are not happy about the agreement's contents? Or more likely, if the agreement leaves important possibilities uncovered? These are precisely the circumstances in which independent directors would be a real comfort. The rule would be better retained.

Woolwich

If grey market estimates are to be believed, Woolwich shares could finish tonight as high as 330p. In that case, shareholders should cash in and be thankful. That would put the share on a premium rating of nearly 50 per cent compared with similar stocks such as Alliance & Leicester and Abbey National, and well above the 235p-255p range of fundamental value estimates. Technical factors and bid speculation will doubtless lend some froth to initial trading, but the risks are heavily skewed to the downside.

Bank stocks have already risen by 37 per cent this year. And with the government's Budget last week a rather bitter cocktail for equities, the tide looks more likely to recede than advance. Rising interest rates and falling gilt prices are traditionally bad for bank stocks, though their domestic focus may offer some protection from a market increasingly vulnerable to a strong pound.

The key issue for Woolwich is whether management's purported commitment to shareholder value will trump its desire to stay independent. The best chance of unlocking value lies via a merger, especially one which offers large cost-cutting potential. With a good brand, focused business, and reasonable size, Woolwich will not be short of suitors. Theoretically, it enjoys five years of protection from predators. But management has said it would recommend a good offer. Only against that backdrop would a share price above 300p look remotely cheap.

UK conglomerates

In the 1970s and 1980s, piratical companies scoured the stock market looking for bloated, unfashionable and strategically wayward groups which were ripe for asset stripping. But in 1997, the most obvious targets are those same pirates of old. Hanson reacted by dissolving its own empire via demerger. But BTR, Cookson, Williams, Tomkins, Lonrho and Wassall are all trading at large discounts to asset value. And after underperforming the stock market by more than 50 per cent in the past three years, these conglomerates look increasingly vulnerable.

So will they be taken over? BTR, for example, trades at an estimated two-thirds of its break-up value, making it a potentially appealing target for a predator. KKR looked closely back in 1989, and there are rumours of corporate interest now. But it is unlikely anyone will pounce on BTR or any of the other diversified industrials. Owning hundreds of operating businesses creates a lot of opacity, which is a deterrent, while conglomerate managements are well trained in corporate fighting. Unlike, say, in Imperial, there are also few industrial jewels within – indeed, far from it. And break-ups create added tax, interest and management costs.

A more obvious solution would be the arrival of more active investors who could agitate management into delivering value. Tomkins looks heavily over-capitalised, and Cookson and BTR look overly diverse. But many fund managers ignore the sector because they do not like the strategy. If they applied some pressure, or encouraged an influx of strongly independent non-executive directors to do so, there could be considerable profits to be made.

Kenya told to tackle fraud scandal or lose IMF loan

By Michael Holman in London and Michela Wrong in Nairobi

The International Monetary Fund has called on Kenya to tackle the biggest financial scandal in its history or face suspension of its loan agreement.

Without an IMF agreement the country's donors are unlikely to provide new aid.

President Daniel arap Moi is already under unprecedented pressure to reform the constitution. The warning has triggered the cancellation of a meeting of Kenya's aid donors scheduled to take place in Paris later this month.

Kenyan opposition parties, churches and non-governmental organisations are calling on the public today to attend rallies across the country to demand changes to a constitution which gives the ruling party the upper hand in approaching elections.

With police ordering the public to stay away and the government refusing to license the rallies, planned at more than 50 venues, a repeat of the riots which marred a similar protest on May 31 looks likely.

The IMF warning underlines the increasing isolation of the 73-year-old president, now under fierce criticism on the political and economic fronts both at home and abroad.

The fund's decision to delay disbursement of the second tranche, worth $37m, of its $216m Enhanced Structural Adjustment Facility was prompted by last month's collapse of court proceedings against defendants in what has become known as the Goldenberg affair.

Defendants include a former deputy governor of the country's central bank, a former permanent secretary in the ministry of finance, and a leading businessman, Mr Kamlesh Pattni.

Kenya's donors have long chafed at the slow progress in prosecuting state officials who allegedly allowed Goldenberg International, a jewellery-exporting company owned by Mr Pattni, to be paid millions of dollars for fictitious exports of gold and diamonds. The scandal, part of a series of financial frauds, estimated to have cost $430m, was exposed five years ago.

The judges' decision to dismiss the case on technical grounds appears to have been the last straw for the IMF, which has repeatedly warned the government that the long delay was putting the ESAF loan in jeopardy.

The review of the IMF agreement, expected to have been completed at the end of June, has been extended to the end of July. If the Kenyan authorities fail to convince the IMF board that they will pursue the case and make greater efforts to recover the lost funds, the agreement will lapse.

Brunswick's Russia fund

Continued from Page 1

number of tradeable shares has quickly expanded.

But many western fund managers continue to avoid the Russian market, fearing the country's unstable political environment, uncertain economic prospects, poor corporate governance and opaque trading rules.

Mr Cooke said there were still great opportunities in the Russian market in spite of its rapid appreciation. The Brunswick fund will target smaller, lesser-known companies and new issues from private service sector enterprises seeking fresh capital to expand.

"The stock market is very unrepresentative of the economy here," Mr Cooke said. "You have 53 per cent of GDP in the service sector in Russia, but it has negligible representation in the stock market."

The Brunswick fund, incorporated in the Cayman Islands, will seek a listing on the Dublin Stock Exchange within a year.

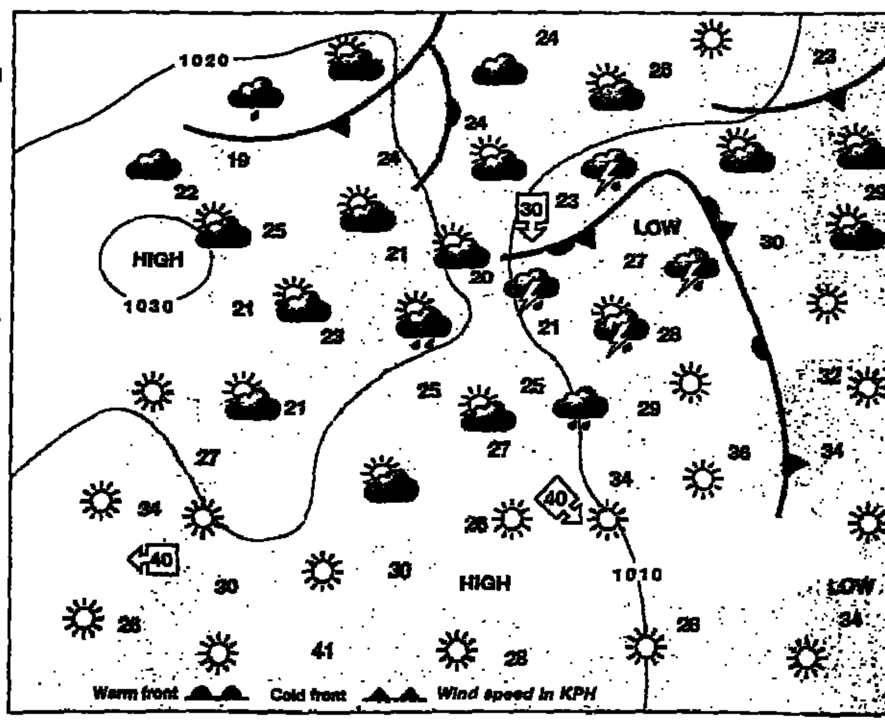
FT WEATHER GUIDE

Europe today

Central parts of Europe will stay cool and very wet with more than 50mm of rain in parts of Slovakia and southern Poland. Heavy thunderstorms will develop over Slovenia, Belarus, Moldova and western Ukraine. Some showers will also develop over northern Europe. Scotland will have more persistent rain or drizzle. Elsewhere in the UK, it will stay dry but partly cloudy and rather warm. Afternoon temperatures will reach 25C around London. It is expected to be sunny and warm over Portugal, Spain and Greece. Turkey will be sunny with temperatures reaching 36C, but local thunderstorms are possible in the afternoon.

Five-day forecast

Rain and some thunder will slowly move into the Balkans. Western and central Europe will become warm and sunny but thunder showers are possible on Friday. The UK will be quite warm except for the north-west where it will stay rather cloudy with some rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius										
Abu Dhabi	sun 40	Belfast	cloudy 21	Casablanca	sun 26	Gibraltar	fair 22	Manchester	cloudy 22	Rome	sun 27
Accra	cloudy 27	Belgrade	shower 18	Chicago	sun 26	Glasgow	cloudy 20	Manila	shower 31	S. Frsco	sun 21
Algiers	fair 25	Berlin	fair 24	Cologne	fair 22	Hamburg	fair 23	Melbourne	fair 16	Seoul	fair 28
Amsterdam	fair 20	Bermuda	fair 29	Dakar	cloudy 30	Helsinki	fair 24	Mexico City	shower 23	Singapore	shower 30
Athens	sun 31	Bogota	shower 19	Dallas	fair 35	Hong Kong	shower 29	Miami	fair 34	Stockholm	cloudy 28
Atlanta	shower 31	Bombay	rain 31	Delhi	cloudy 36	Honolulu	sun 31	Milan	sun 23	Strasbourg	fair 22
B. Aires	fair 15	Brussels	fair 22	Dubai	sun 39	Istanbul	sun 31	Montreal	sun 28	Sydney	fair 18
B.ham	cloudy 24	Budapest	rain 21	Dublin	fair 22	Jakarta	fair 31	Moscow	fair 21	Tangier	windy 28
Bangkok	shower 36	C.hagen	fair 23	Dubrovnik	cloudy 24	Jersey	fair 18	Munich	cloudy 22	Tel Aviv	sun 32
Barcelona	sun 24	Cairo	sun 36	Edinburgh	cloudy 21	Karachi	fair 37	Nairobi	cloudy 25	Tokyo	fair 34
Beijing	sun 34	Cape Town	sun 20	Faro	sun 28	Kuwait	sun 46	Naples	sun 27	Toronto	sun 23
		Caracas	fair 31	Frankfurt	fair 24	L. Angeles	fair 24	Nassau	sun 32	Vancouver	rain 20
		Cardiff	cloudy 23	Geneva	fair 21	Las Palmas	fair 27	New York	fair 29	Venice	sun 24
						Lima	cloudy 23	Nice	sun 28	Vienna	rain 18
						Lisbon	sun 32	Nicosia	sun 34	Warsaw	thund 23
						London	cloudy 26	Oslo	fair 23	Washington	fair 32
						Lux.bourg	shower 21	Paris	fair 24	Wellington	fair 12
						Lyon	fair 24	Perth	shower 14	Winnipeg	thund 26
						Madeira	sun 24	Prague	shower 20	Zurich	cloudy 18
						Madrid	sun 30	Rangoon	rain 28		
						Majorca	sun 27	Reykjavik	cloudy 12		
						Malta	sun 25	Rio	cloudy 24		

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